SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

Stock Code : 697

CONTENTS

ANNUAL REPORT
2013
SHOUGANG CONCORD
INTERNATIONAL
ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Xu Ning *(Chairman)*
Li Shaofeng *(Managing Director)*
Zhang Wenhui *(Deputy Managing Director)*
Chen Zhouping *(Non-executive Director)*
Ip Tak Chuen, Edmond *(Non-executive Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Kan Lai Kuen, Alice
(Independent Non-executive Director)
Wong Kun Kim
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Li Shaofeng *(Chairman)*
Zhang Wenhui

AUDIT COMMITTEE

Kan Lai Kuen, Alice *(Chairman)*
Wong Kun Kim
Leung Kai Cheung

NOMINATION COMMITTEE

Xu Ning *(Chairman)*
Leung Shun Sang, Tony
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

REMUNERATION COMMITTEE

Wong Kun Kim *(Chairman)*
Li Shaofeng
Leung Shun Sang, Tony
Kan Lai Kuen, Alice
Leung Kai Cheung

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
(the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

697

WEBSITE

www.shougang-intl.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Xu Ning, aged 59, senior economist, graduated from the Party School of the Central Committee of the Communist Party of China. Mr. Xu was appointed a Non-executive Director and the Chairman of the Company in December 2012 and is the chairman of the Nomination Committee of the Company. He is also the chairman of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Xu joined Shougang Corporation, the ultimate holding company of Shougang Holding, in 1970 and is a director and the general manager of Shougang Corporation. He is also the Chairman of BeijingWest Industries International Limited ("BeijingWest International"), a Hong Kong listed company, and the deputy chairman of Beijing Shougang Co., Ltd., a company listed on the Shenzhen Stock Exchange. Mr. Xu has extensive experience in management and operation of the steel industry.

An engagement letter was entered into with Mr. Xu for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Xu is entitled to a director's fee as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Xu is HK$170,000. For the financial year ending 31 December 2014, the director's fee of Mr. Xu will be HK$170,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Xu. Such director's fees were determined with reference to Mr. Xu's experience and duties as well as the then prevailing market conditions.

Mr. Li Shaofeng, aged 47, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Managing Director of the Company in May 2010 and is the chairman of the Executive Committee and a member of the Remuneration Committee of the Company. He joined Shougang Corporation in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Grand Invest International Limited ("Grand Invest") and China Gate Investments Limited ("China Gate"). Each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li is the chairman of each of Shougang Fushan Resources Group Limited ("Shougang Resources"), Shougang Concord Grand (Group) Limited ("Shougang Grand"), Global Digital Creations Holdings Limited ("GDC") and Shougang Concord Century Holdings Limited ("Shougang Century"), the non-executive chairman of Shougang Concord Technology Holdings Limited ("Shougang Technology"), and an executive director of BeijingWest International. He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a non-executive director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to an ex-director of Mount Gibson from November 2011 to February 2012. Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Li is entitled to a monthly salary of HK$315,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Li's monthly salary is HK$315,000. Such salary was determined with reference to the then prevailing market conditions as well as Mr. Li's individual performance. Mr. Li has voluntarily waived his monthly salary since 1 March 2014.

DIRECTORS' BIOGRAPHIES

Mr. Zhang Wenhui, aged 58, graduated from the University of Science and Technology Beijing. Mr. Zhang was appointed an Executive Director and a Deputy Managing Director of the Company in September 2006 and is a member of the Executive Committee of the Company. He is a deputy managing director of Shougang Holding, and a director of each of Grand Invest and China Gate. Each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Zhang is a non-executive director of Shougang Century. He was a non-executive director of Shougang Resources during the period from May 2010 to December 2012. Mr. Zhang joined Shougang Corporation in 1982 and had been working in various companies under Shougang Corporation during the period from 1990 to 2001. Mr. Zhang has extensive experience in management and company operations.

A service contract was entered into between Mr. Zhang and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2014. Under the service contract, Mr. Zhang is entitled to a monthly salary of HK$260,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Zhang's monthly salary is HK$260,000. Such salary was determined with reference to the then prevailing market conditions as well as Mr. Zhang's individual performance.

Mr. Chen Zhouping, aged 48, graduated from the School of Economics and Management, Beijing Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen was appointed an Executive Director and a Deputy Managing Director of the Company in November 2002 and was re-designated as a Non-executive Director of the Company from 21 December 2012. He is a deputy managing director of Shougang Holding, and a director of each of Grand Invest and China Gate. Each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chen is the vice chairman and managing director of Shougang Resources. He is also a non-executive director of Mount Gibson. Mr. Chen has extensive experience in steel industry, engineering design, human resources and management.

An engagement letter was entered into with Mr. Chen for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Chen is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Chen is HK$150,000. For the financial year ending 31 December 2014, the director's fee of Mr. Chen will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chen. Such director's fees were determined with reference to Mr. Chen's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Ip Tak Chuen, Edmond, aged 61, holds a bachelor of arts degree in economics and a master of science degree in business administration. Mr. Ip was appointed a Non-executive Director of the Company in 1993. He is also a deputy managing director and a member of the executive committee of Cheung Kong (Holdings) Limited, an executive director and deputy chairman of Cheung Kong Infrastructure Holdings Limited, the senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. and a non-executive director of each of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited and Real Nutriceutical Group Limited. All the companies mentioned above are listed companies in Hong Kong or overseas. Mr. Ip is also a non-executive director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited ("SEHK") and the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr. Ip is also a director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST. Mr. Ip is also a non-executive director of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a real estate investment trust listed on SEHK. He is also a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by a substantial shareholder of the Company.

An engagement letter was entered into with Mr. Ip for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Ip is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the shareholders of the Company. For the financial year ended 31 December 2013, the director's fee of Mr. Ip is HK$150,000. For the financial year ending 31 December 2014, the director's fee of Mr. Ip will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Ip. Such director's fees were determined with reference to Mr. Ip's experience and duties as well as the then prevailing market conditions.

Mr. Leung Shun Sang, Tony, aged 71, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in November 1992 and is a member of each of the Remuneration Committee and the Nomination Committee of the Company. He is also a non-executive director of each of Shougang Resources, Shougang Century, Shougang Technology, Shougang Grand and GDC. Mr. Leung had worked in Citibank N. A. and W. I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Leung is HK$230,000. For the financial year ending 31 December 2014, the director's fee of Mr. Leung will be HK$230,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Ms. Kan Lai Kuen, Alice, aged 59, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. Ms. Kan held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the SFO. Ms. Kan is licensed as a responsible officer of each of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, Shimao Property Holdings Limited, China Energine International (Holdings) Limited and Cosmopolitan International Holdings Limited, all of which are listed companies in Hong Kong. Ms. Kan is an independent director of AVIC International Investments Limited, a company listed on the SGX-ST. She was an independent non-executive director of G-Vision International (Holdings) Limited from September 2004 to August 2011, an independent non-executive director of Sunac China Holdings Limited from August 2009 to June 2011 and an independent non-executive director of Sunway International Holdings Limited from March 2006 to February 2013. Ms. Kan has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets.

An engagement letter was entered into with Ms. Kan for a term of three years commencing on 1 January 2014. Under the engagement letter, Ms. Kan is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Ms. Kan is HK$330,000. For the financial year ending 31 December 2014, the director's fee of Ms. Kan will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Kan. Such director's fees were determined with reference to Ms. Kan's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Wong Kun Kim, aged 69, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. He was also an independent non-executive director of Shougang Technology from September 2004 to June 2013. Mr. Wong is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO. He has over 40 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and was an independent non-executive director of Sunway International Holdings Limited from September 2002 to February 2013.

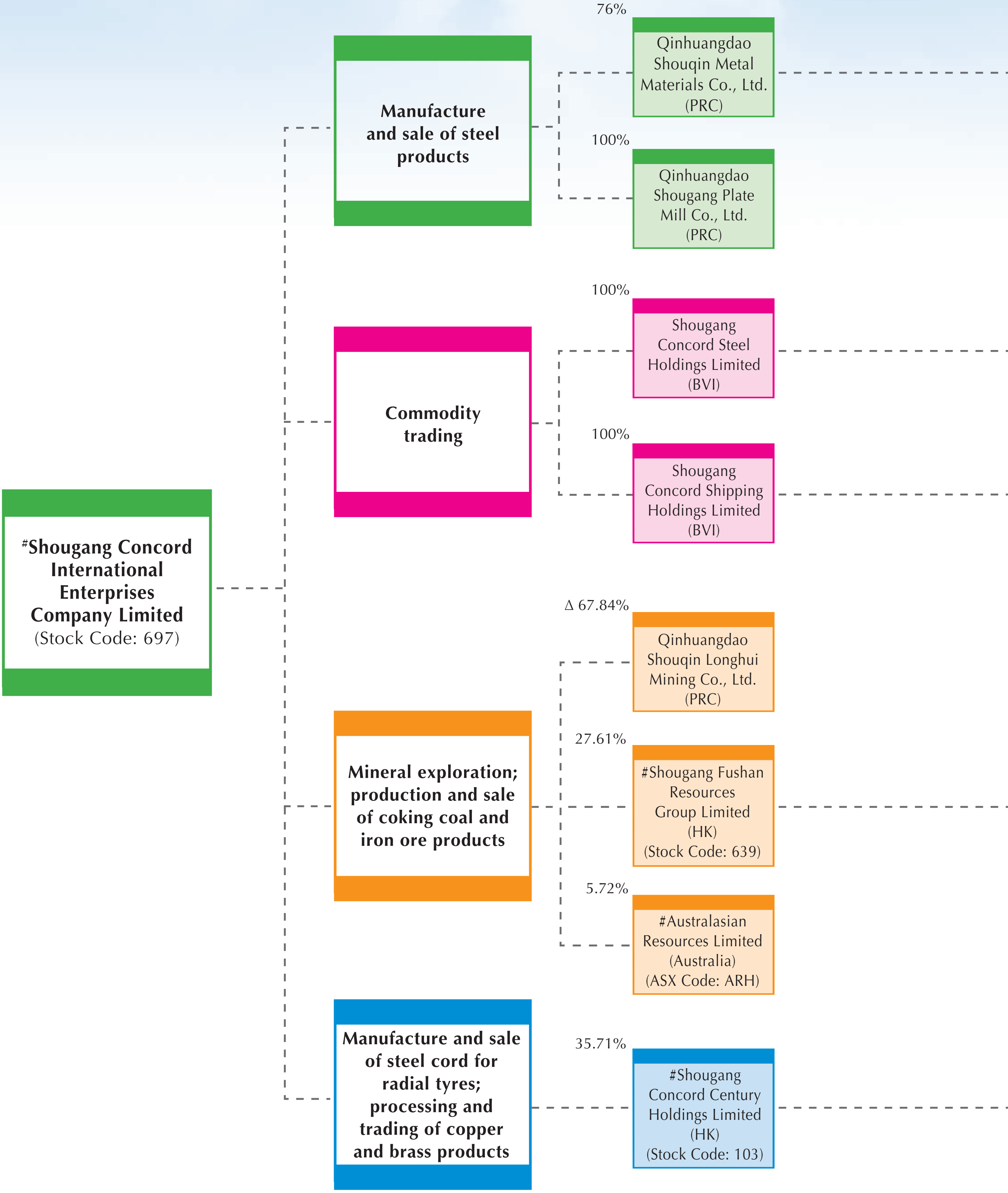
An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Wong is HK$330,000. For the financial year ending 31 December 2014, the director's fee of Mr. Wong will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 68, graduated from The Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of each of Shougang Technology and BeijingWest International. Mr. Leung had been a senior executive of Citibank, N.A., the general manager of Barclays Bank PLC in charge of Kowloon and New Territories districts and was the chairman of Star International Enterprises Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2014. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Leung is HK$330,000. For the financial year ending 31 December 2014, the director's fee of Mr. Leung will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2013



MAIN OPERATIONAL STRUCTURE

As at 31 December 2013

Δ 87.76%

Qinhuangdao Shouqin Steels Machining & Delivery Co., Ltd. (PRC)

Notes:

- \# Listed company
- Δ Attributable interest held by Shougang Concord International Enterprises Company Limited
- * Including the interests held through Shougang Fushan Resources Group Limited and APAC Resources Limited

100%

Shougang Concord Steel International Trading Co. Ltd. (BVI)

100%

Shougang Concord Management Company Limited (HK)

100%

深圳市首康國際貿易有限公司 (PRC)

100%

SCIT Trading Limited (HK)

100%

SCIT Services Limited (BVI)

Δ 3.87%

\# APAC Resources Limited (Bermuda) (Stock Code: 1104)

Δ* 5.18%

\# Mount Gibson Iron Limited (Australia) (ASX Code: MGX)

Δ 35.71%

Jiaxing Eastern Steel Cord Co., Ltd. (PRC)

Δ 35.71%

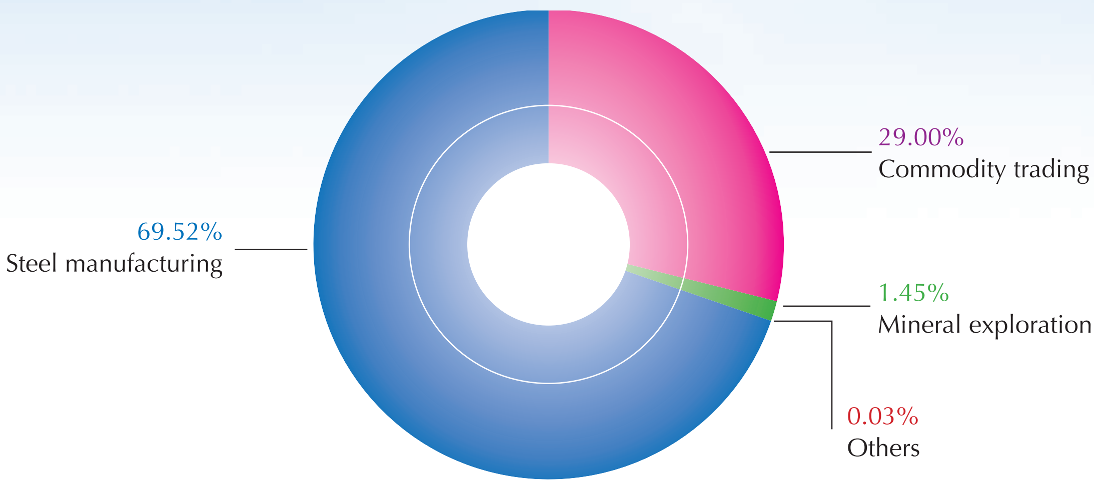
Tengzhou Eastern Steel Cord Co., Ltd. (PRC)

Δ 35.71%

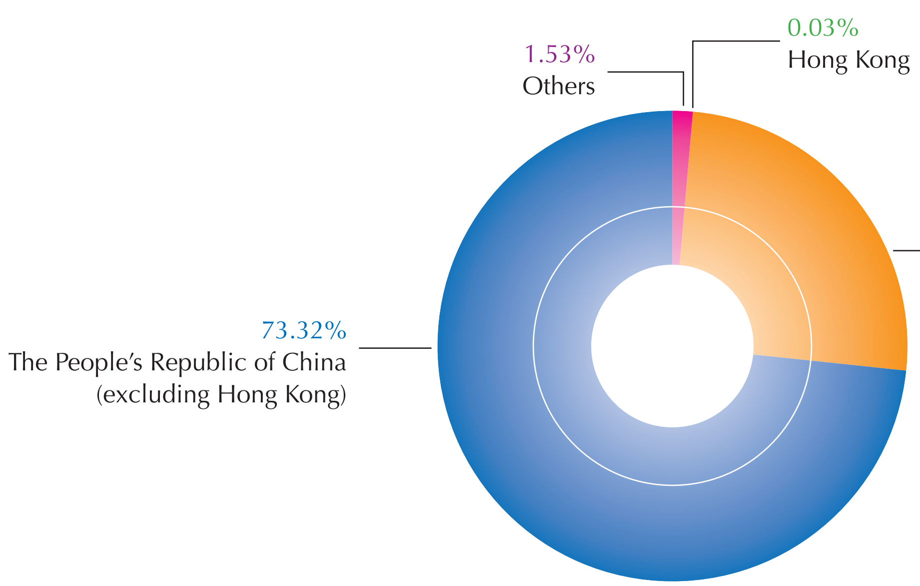
Hing Cheong Metals (China & Hong Kong) Limited (HK)

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2013

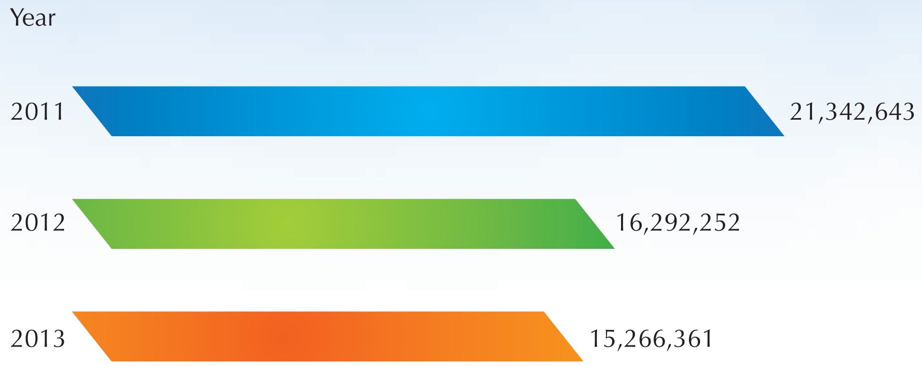


TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2013



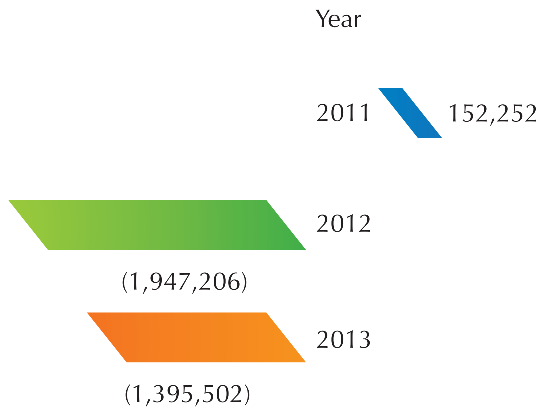
FINANCIAL HIGHLIGHTS

TURNOVER (in HK$'000)



TOTAL ASSETS (in HK$'000)

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (in HK$'000)



CHAIRMAN'S STATEMENT

In 2013, the global economy was still wavering. There were signs that US, which has been dominating the world's economy, gradually began to withdraw its quantitative easing measures after five years of implementation. European debt crisis also began to mitigate. Although the growth of economy in China continued to slow down, it is still developing in a steady pace. The current leadership in China is dedicated to further implement reform on the structure of the economy with vision and future prospects that will be beneficial to the long-term development of the country.

The steel industry was still suffering difficult moments in 2013. With an excess supply in production capacity, the disequilibrium between supply and demand was particularly prominent. This has led to the sluggish downturn in the price of steel for a long time. The reform measures further implemented by the State also focused on solving the issues about the excess supply in production capacity in steel industry. In addition, the State had expressly specified to rectify the serious air pollution issues, and targeted to finalise in replacing the production capacity of those production units that do not have advance designed production plants. It is expected that production capacity for 80 million tonnes steel will be downsized by 2017. The State would also link the resolution of environmental protection and air pollution issues to the performances of the local government in the course of their assessment. We believe that, under the endeavours of the implementation of the State's policies, the steel industry can see the twilight and emerge out of frustration and difficulties bracing it in the past years through consolidation within the industry and production capacity downsizing.

The Company's vertical integration strategy embracing upstream, midstream and downstream; linking and integrating the complete value chain; thus endowed the Company with a dominating competitive edge over its competitors. Shougang Resources, which is engaged in the production and sales of hard coking coal, is an important strategic investment of the Company at the upstream, and continued to bring substantial contribution of profit to the Company during the year.

I hereby wish to thank the fellow member of the Board, the loyalty of the Company's staff and the generous support to the Company from Shougang Corporation, with which the Company can develop its businesses in a stable manner.

Xu Ning
Chairman

27 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

We are a flagship listed vehicle of Shougang Corporation in Hong Kong. Our operations are 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 Province, PRC. In addition, we own a deep processing centre on steel products to extend our business to the downstream value chain. Our mineral exploration segment mainly include the holding of approximately 27.6% equity stake of Shougang Fushan Resources Group Limited ("Shougang Resources"), a Hong Kong-listed hard coking coal producer in China. For commodity trading, 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. Our vertical integration strategy with different upstream, mid-stream and downstream activities is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2013	2012
	HK$ million	HK$ million
Loss attributable to shareholders before share of results of associates	**(1,678)**	(2,317)
Share of results of associates	**282**	370
Loss attributable to shareholders	**(1,396)**	(1,947)[1]

The market of the Group's core business in steel manufacturing was still weak in 2013. Excessive production capacity and imbalance between supply and demand were still the key issues within the industry which could not be resolved in the near term. Our share of profit from Shougang Resources, an associate with principal business in coking coal mining and sales also showed a sharp decline due to the drop in selling price of coking coal.

For the year ended 31 December 2013, net loss attributable to shareholders amounted to HK$1,396 million, the loss was decreased by HK$551 million comparing to attributable loss of HK$1,947 million[1] in last year. The Group recorded a consolidated turnover of HK$15,266 million in this year, representing a drop of 6% comparing to that of last year. Basic loss per share was 15.58 HK cents.

[1] *These amounts included turnover, cost of sales and loss attributable to shareholders contributed by discontinued operations.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Year ended 31 December 2013 compared to the year ended 31 December 2012.

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$15,266 million for this year, lower by about 6% when comparing to the HK$16,292 million[1] of last year. Lower turnover mainly came from the drop in average selling price ("ASP") in the steel manufacturing segment.

Cost of sales for the period was HK$16,117 million, comparing to HK$17,632 million[1] in last year, a drop of 9%.

LBITDA and Core Operating Loss

For the year under review, loss before interest, tax, depreciation, amortization and change in fair value of financial derivative of the Group was HK$49 million.

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

	For the year ended 31 December	
	2013	2012
	HK$ million	HK$ million
Loss before share of results of associates[1]	**(2,227)**	(2,916)
Adjusted by:		
Fair value loss on iron ore offtake contract with Mt. Gibson, net	**160**	60
Impairment in fixed assets	**–**	184
Impairment in mining assets	**131**	57
Gain on deemed increase in interest in Shougang Resources	**–**	(18)
Goodwill impairment	**–**	146
Employee share option expenses	**2**	3
Core operating loss before share of results of associates	**(1,934)**	(2,484)
Share of results of associates	**282**	370
	(1,652)	(2,114)
Minority interests	**507**	522
Core operating loss of the Group	**(1,145)**	(1,592)

[1] *These amounts included turnover, cost of sales and loss attributable to shareholders contributed by discontinued operations.*

FINANCIAL REVIEW (continued)

Finance costs

For the year under review, finance costs amounted to HK$802 million, 1% 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 this year, we have recognised profit of HK$283 million from Shougang Resources and loss of HK$6 million from Shougang Concord Century Holdings Limited ("Shougang Century").

Taxation

In this year, it was HK$11 million in net tax expense, comparing to HK$2 million in net tax credit last year. The tax expense in the current year was mainly the reversal of deferred tax assets recognised previously by a PRC subsidiary due to foreseeable tax losses utilization.

REVIEW OF OPERATIONS

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

Operation/Entity		Attributable interest	For the year ended 31 December 2013 HK$'000	2012 HK$'000
1.	**Steel manufacturing**			
	Shouqin	76%	**(1,366,659)**	(1,489,758)
	Qinhuangdao Plate Mill	100%	**(135,052)**	(157,873)
	Sub-total		**(1,501,711)**	(1,647,631)
2.	**Mineral exploration**			
	Shougang Resources	27.6%	**282,503**	468,924
	Gain on deemed increase in interests of Shougang Resources		**–**	17,564
	Shouqin Longhui	67.8%	**(269,212)**	(312,311)
	Sub-total		**13,291**	174,177
3.	**Commodity trading**			
	The Trading Group	100%	**325,904**	(41,118)
	Sub-total		**325,904**	(41,118)
4.	**Others**			
	Shougang Century	35.7%	**(5,934)**	(106,515)
	Fair value loss on Mt. Gibson iron ore offtake contract	100%	**(160,233)**	(59,724)
	Goodwill impairment		**–**	(146,015)
	Corporate and others	100%	**(66,819)**	(90,801)
	Sub-total		**(232,986)**	(403,055)
	Total – continue operation business		**(1,395,502)**	(1,917,627)
	Discontinued operation business – Shipping operation			
	Shougang Shipping Group	100%	**–**	(29,579)
	Total		**(1,395,502)**	(1,947,206)

REVIEW OF OPERATIONS (continued)

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 faces a dire operating environment. This core segment recorded net loss of HK$1,502 million during the year, while that of last year was net loss HK$1,648 million. Summary of production and sales quantities of the two manufacturing plants in the current and last year under this segment is as follows:

		Slabs		Heavy Plates	
For the year ended 31 December		**2013**	2012	**2013**	2012
		'000 mt.	'000 mt.	**'000 mt.**	'000 mt.
(i)	**Production**				
	Shouqin	**2,367**	2,473	**1,663**	1,623
	Qinhuangdao Plate Mill	**–**	–	**620**	585
	Total	**2,367**	2,473	**2,283**	2,208
	Change	**-4%**		**+3%**	
(ii)	**Sales**				
	Shouqin#	**575**	701	**1,663**	1,619
	Qinhuangdao Plate Mill	**–**	–	**614**	547
	Total	**575**	701	**2,277**	2,166
	Change	**-18%**		**+5%**	

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

REVIEW OF OPERATIONS (continued)

Steel Manufacturing (continued)

Shouqin

The Group holds an effective interest of 76% in Shouqin, 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, hydro-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$9,664 million before elimination, recording 8% drop on the comparative year.

The drop was mainly due to decrease of ASP of heavy plates. The ASP (exclude VAT) of heavy plate was HK$4,510 (RMB3,572) per tonne, 10% lower than that of the last year. Production of slab was mainly used for Shouqin's internal consumption while some sales were made towards Qinhuangdao Plate Mill and are eliminated on consolidation. The ASP (exclude VAT) of slab was HK$3,478 (RMB2,755) per tonne, about 5% 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. In this year, this entity recorded HK$578 million in turnover, 99% higher than that of last year as a result of more processing activities in specific plates.

For the year ended 31 December, 2013, the net loss of Shouqin and processing centre attributable to the Group was HK$1,367 million, comparing to the net loss of HK$1,490 million in last year.

REVIEW OF OPERATIONS (continued)

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$2,671 million before elimination for the year ended 31 December 2013, a drop of 8% comparing with that of last year. The drop was mainly due to lower selling price in the weak market. ASP (exclude VAT) was HK$4,074 (RMB3,227) per tonne, about 7% lower than that of last year. The Group's share of net loss of Qinhuangdao Plate Mill was HK$135 million, comparing to net loss of HK$158 million in last year.

Mineral exploration

Production and sale of coking coal

Shougang Resources 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 year was HK$4,268 million; net profit attributable to shareholders was HK$1,115 million, a drop of 24% and 38% respectively over that of last year. Profit of Shougang Resources attributable to the Group was HK$283 million in this year.

Although selling price of coking coal was in a downside during the year, with the brand quality of Shougang Resources's products, we are confident towards its future operations. We are expecting this upstream business can still provide a significant profit base for the Group.

Production of iron ore products

The Group holds an effective 67.8% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Shouqin Longhui") which is situated in Qinglong County, Qinhuangdao City, Hebei Province, 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 still affected by improvement initiatives towards environmental requirements. It sold approximately 431,700 tonnes pellets during the year while average selling price was HK$1,286 (RMB1,019) per tonne. It recorded a turnover of HK$642 million before elimination for the year, loss of Shouqin Longhui attributable to the Group was about HK$269 million, comparing to an attributable loss of HK$312 million in last year.

REVIEW OF OPERATIONS (continued)

Commodity trading ("Trading")

Our Trading operations are jointly conducted by SCIT Trading Limited, SCIT Services Limited and Shougang Concord Steel Holdings Limited and its subsidiaries ("The Trading Group"), all of which are wholly owned by the Group. The Trading Group reported a turnover of HK$4,427 million in the year ended 31 December 2013, increase by 2% comparing to last year. It sold approximately 3.69 million tonnes of iron ore, which was higher from the 3.40 million tonnes sold from that of last year, through long term offtake arrangements with Mt. Gibson starting from mid of 2009. Selling price was increased by 8% to HK$1,038 (USD133) per tonne. After the negotiation between management and Mt. Gibson during the year, the pricing method for long-term off-take contracts was modified to be determined from the daily average price of the Platts iron ore price index one month prior to sales delivery to the daily average price of the Platts iron ore price index in the month of sales delivery. This resulted in trading profits becoming more stable, greatly reducing the impact of price fluctuations between months that may bring a loss. The results attributable to the Group thus turned from loss to profit. The resulting net profit was HK$326 million in the year, comparing to a loss of HK$41 million in last year. Results from this operation are expected to remain favourable in the foreseeable future.

Other business

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

Shougang Century is a 35.7% associate of the Group. The Group's share of its net loss was HK$6 million, comparing to share of loss of HK$107 million in last year.

There is keen competition in the steel cord market. The selling price of steel cords continued to drop during the year but stabilized gradually. The prices of raw materials also dropped which counteracted the impact of decline in selling price of steel cords. Although Shougang Century was still in a loss position during the year, the loss amount was significantly reduced when compared with the same period last year.

REVIEW OF OPERATIONS (continued)

Environmental Protection Measures

The most important operating activity of the Company is the manufacturing and sales of steel. Shouqin, the Company's flagship subsidiary, is the main operator of this business segment. Shouqin focuses on investment in environmental protection and creating green production. With the construction goal of environment protective type, energy recycling type and cost-effective type, Shouqin invested about 10% of the total project costs in environmental protection, which comprised of the following measures:

1. **Dust Clearing System**

   Shouqin has applied fully enclosed joint silos, which eliminates the traditional raw steel enterprises yard mode, and integrates storage and distribution as a whole. This resolves the dusting problem of raw materials, reduces the cost of dumping and ensures the quality of raw materials and fuels whilst eliminating pollution. Dust is removed in a fully enclosed loop, which utilizes all vacuum suction tankers in pneumatic conveying to eliminate secondary dusting. In addition, pulse dust-dry technique is applied at large blast furnace to treat blast furnace gas.

2. **Water System**

   Shouqin has constructed a centralized water supply and closed-loop water system, which implements the water for use in production on cascade basis. By combining the principles of voicing diversion, rain and sewage diversion and loop principle, the smelting of steel, iron, and rolling of steel were built with water treatment system with separate loop. There is zero waste water discharge from production and the capacity of sewage treatment station is 650t/h. Water circulation rate reached 98.6%, with fresh water consumption of steel 1.7m^3 per tonne. Zero waste water discharge is thus achieved.

REVIEW OF OPERATIONS (continued)

Environmental Protection Measures (continued)

3. Energy Recycling

The residual resources are adequately utilized from comprehensive application of power generation projects (pressure generation), which do not only save energy but reduce emissions of pollutants and noise. The recovery of gas from by-products through the use of advanced technologies are all applied in sintering, hot stove, sleeve kilns, furnaces and captive power generation.

– Recycling of blast furnace gas

The blast furnace gas generated from the production of Shouqin after going through gravity dusting and dry dusting are all recovered and stored, which are applied pressure generation of electricity, sintering ignition, stove, furnace coal injection mixing air and rolling furnace production.

– Converter gas recovery and utilization

The converter gas generated from the production of Shouqin after one time dusting are applied in torpedo baking, bake steel package, captive power plant boilers, lime sleeve kiln production.

– Residual heat recycling

The steam generated from the factory area of Shouqin accounted for 75% of the total usage of steam in the residual heat recycling within the factory area, which is applied to Sintering mixing, RH furnace production, the production of liquid oxygen and other areas.

4. Energy-saving measures

– Energy centre

Through information technology, digital technology, precise control, segment management, Shouqin implements total process management over the procurement, production, operation, use, and recycle of energy products. Comprehensive monitoring and economic distribution of energy is realized and the goals of systematic energy saving are achieved.

– Energy Management Contracts

Shouqin first introduced new mechanisms of energy saving for energy management contracts in the steel industry, which accumulated the implementation for a number of energy conservation projects, with an annual capacity of 120,000 tonnes of standard coal in energy conservation.

REVIEW OF OPERATIONS (continued)

Environmental Protection Measures (continued)

5. **Noise Control**

   Shouqin selected low-noise equipment, using silencers, noise, vibration and flexible connections in air compressors, oxygen compressors, blowers, etc.

6. **Green landscaping**

   The green landscaping site in the factory area of Shouqin amounted to over 720,000 square metres with a green ratio of 39%.

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 2013 as compared to 31 December 2012 is summarized below:

	31 December 2013 HK$ million	31 December 2012 HK$ million
Total Debt		
– from banks*	**9,550**	10,490
– from parent company	**893**	869
Sub-total	**10,443**	11,359
Cash and bank deposits	**2,612**	2,435
Net debt	**7,831**	8,924
Total capital (Equity and total debt)	**17,245**	19,452
Financial leverage		
– Net debt to total capital	**45.4%**	45.9%
– Net debt to total assets	**27.4%**	30.4%

* *excluding financing from discounted bills.*

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

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 through borrowings. For the year ended 31 December 2013, approximately 75% 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$194 million.

3. Financing activities

The Company has concluded one new bank financing during this year, totaling HK$350 million, of tenor 36 months.

There are various financial covenants under the existing bank loan agreements entered into by the Company. The Company has been from time to time monitoring the compliance with such financial covenants. In the event the Company foresees the possibility that the Company may not be able to attain any required financial indicators for any relevant period, the Company will take pre-caution measures to obtain consents from the relevant banks either to waive compliance with the relevant financial covenants for the relevant period or to revise the relevant financial covenants, as the case may be.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals during this year.

CAPITAL STRUCTURE

The Company issued 4,590,000 new shares during this year.

The issued share capital of the Company was HK$1,792 million (represented by 8,958 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,100 employees as at 31 December 2013.

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

Although the steel industry had been straying at the bottom of the trough for many years, an excess supply in production capacity is still a major issue disturbing the industry. The new leadership in China devoted their efforts to reform the structure of the economy so as to proactively resolve the issue of excess supply in production capacity. It is bringing aspiration to the steel industry in the long term. However, steel price remained sluggish during the year under review, which resulted in substantial loss on the principal operations of the Company. With the ongoing increase in supply from mines in China and overseas, the purchasing cost of iron ore in the medium to long term is likely to fall, which will relieve the manufacturing cost of steel and facilitate the increase in gross profit margin of the industry.

PROSPECTS (continued)

Shougang Resources, which is our major investment in the upstream market, and is engaged in the production and sales of hard coking coal, recorded rapid downfall in gross profit as a result of huge fall in selling price of coking coal during the year due to weak steel price in the downstream market. The Company's share of profit in Shougang Resources during the year under review also reduced significantly. We believe that the price of coking coal in future will still follow the economic cycle and the demand momentum in the downstream market. Although the price of coking coal is still volatile, it is believed that Shougang Resources in future will still bring substantial profit contribution to the Company.

As to the trading of iron ores, after the negotiation between management and Mt. Gibson during the year under review, the pricing method for long-term off-take contracts was modified to be determined from the daily average price of the Platts iron ore price index one month prior to sales delivery to the daily average price of the Platts iron ore price index in the month of sales delivery. This resulted in trading profits becoming more stable, greatly reducing the impact of price fluctuations between months that may bring a loss. The trading of iron ores recorded very satisfactory results during the year. It is expected that this business will still bring substantial profit to the Group in the coming years.

The production of steel by China ranks first in the world in terms of volume and accounts for almost half of the global outputs. The steel industry is an important social industry, with which the domestic and global economies are both closely linked to it. There were signs that US, which has been dominating the world's economy, gradually began to withdraw its quantitative easing measures after five years of implementation. Interest rate hiking cycle will soon kick off, with its effect on the global economy will emerge. As the largest emerging economic entity in the world, the policy of stable growth being implemented by China will provide the global economy with a solid foundation. Looking ahead, by capitalizing on the urbanization and consolidating environmental protection governance in China, it will be instrumental to the control over demand and supply as well as production capacity of the steel industry and the same will thus be benefited. Upon the support of state policies and the rebound of economic cycles, it is anticipated that the steel industry will progressively recover.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2013, except for the following deviations:

– Under the code provision A.2.7 of the CG 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 first part of code provision E.1.2 of the CG 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 is also the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 18 June 2013 (the "2013 AGM") as he had another business engagement. The Managing Director of the Company, who took the chair of the 2013 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 2013 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2013 AGM were already of sufficient calibre and number for answering questions at the 2013 AGM.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of nine Directors, being two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on pages 3 to 7 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

Board diversity

In compliance with the requirement set out in new code provision A.5.6 of the CG Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD OF DIRECTORS (continued)

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting.

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest nor shall he be counted in the quorum present at the meeting.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2013, the Directors have made active contribution to the affairs of the Group and four physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2013 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng	4/4
Zhang Wenhui	4/4
Non-executive Directors	
Xu Ning *(Chairman)*	0/4
Chen Zhouping	4/4
Ip Tak Chuen, Edmond	3/4
Leung Shun Sang, Tony	4/4
Independent Non-executive Directors	
Kan Lai Kuen, Alice	4/4
Wong Kun Kim	4/4
Leung Kai Cheung	4/4

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

BOARD OF DIRECTORS (continued)

Appointment and re-election of Directors (continued)

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is subject to retirement by rotation at least once every three years.

All Directors (including all Non-executive Directors) have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents one-third of the Board.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders.

Ms. Kan Lai Kuen, Alice, who will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting of the Company, has served as an Independent Non-executive Director of the Company for more than 9 years. As an Independent Non-executive Director with extensive experience and knowledge and in-depth understanding of the Company's operations and business, Ms. Kan has expressed objective views and given independent guidance to the Company over the past years, and she continues demonstrating a firm commitment to her role. The Nomination Committee and the Board consider that the long service of Ms. Kan would not affect her exercise of independent judgement and are satisfied that Ms. Kan has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director. The Company will state in a circular which will contain, among other things, the notice convening the forthcoming annual general meeting of the Company the reasons why the Nomination Committee and the Board consider Ms. Kan is still independent and the recommendation to shareholders to vote in favor of the re-election of Ms. Kan as a Director.

Insurance for directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

BOARD OF DIRECTORS (continued)

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors.

In December 2013, the Company organized, at the cost of the Company, an in-house training session for the Directors on the topic of disclosure on environmental and social matters for listed companies.

All Directors have provided to the Company their records of training received during the financial year ended 31 December 2013, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Xu Ning	B	4
Li Shaofeng	A	1
	B	4
Zhang Wenhui	A	1
	B	4
Chen Zhouping	A	1
	B	4
Ip Tak Chuen, Edmond	A, B, C	1
Leung Shun Sang, Tony	A	1
Kan Lai Kuen, Alice	A	1, 2
Wong Kun Kim	A	1, 2, 4
	B	1, 2, 3, 4
Leung Kai Cheung	A	1, 2

Note I:
A: Attending seminars, conferences, forums, in-house briefings or in-house training
B: Reading newspapers, journals and updates
C: Others

Note II:
1: Laws, rules and regulations
2: Finance, Accounting or Taxation
3: Management
4: Businesses relating to the Company

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Xu Ning is the Chairman and Mr. Li Shaofeng serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairman, Mr. Xu Ning's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;
- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;
- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in February 2005 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

BOARD COMMITTEES (continued)

Executive Committee (continued)

During the year, fourteen physical meetings of the Executive Committee were held. Amongst those meetings, two meetings were held for the purpose of performing the corporate governance duties. The attendances of the members of the Executive Committee at those meetings are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	2/2
Zhang Wenhui	2/2

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- developing the Board Diversity Policy and making recommendations to the Board for adoption of the Board Diversity Policy; and
- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the year ended 31 December 2012.

Audit Committee

An Audit Committee of the Board was established in December 1998 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system and internal control procedures; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprises all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Kan Lai Kuen, Alice *(chairman of the committee)*	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2012; and
- reviewing the interim results of the Group for the six months ended 30 June 2013.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in February 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

- assessing the independence of Independent Non-executive Directors; and

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, two physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Xu Ning *(chairman of the committee)*	0/2
Leung Shun Sang, Tony	2/2
Kan Lai Kuen, Alice	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2
Li Shaofeng – as alternate of Mr. Xu Ning	2/2

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting; and
- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

A Remuneration Committee of the Board was established in February 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;

- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;

- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year, one physical meeting of the Remuneration Committee was held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Wong Kun Kim *(chairman of the committee)*	1/1
Li Shaofeng	1/1
Leung Shun Sang, Tony	1/1
Kan Lai Kuen, Alice	1/1
Leung Kai Cheung	1/1

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- reviewing and approving the terms of the service contracts of the Executive Directors of the Company;
- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2014;
- considering the bonuses of the Executive Directors of the Company for the year 2013;
- making recommendations to the Board on the terms of the engagement letters of the Non-executive Directors of the Company; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2014.

Details of remuneration paid to Directors and senior management for the year are set out in note 13 to the consolidated financial statements.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system of the Group is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

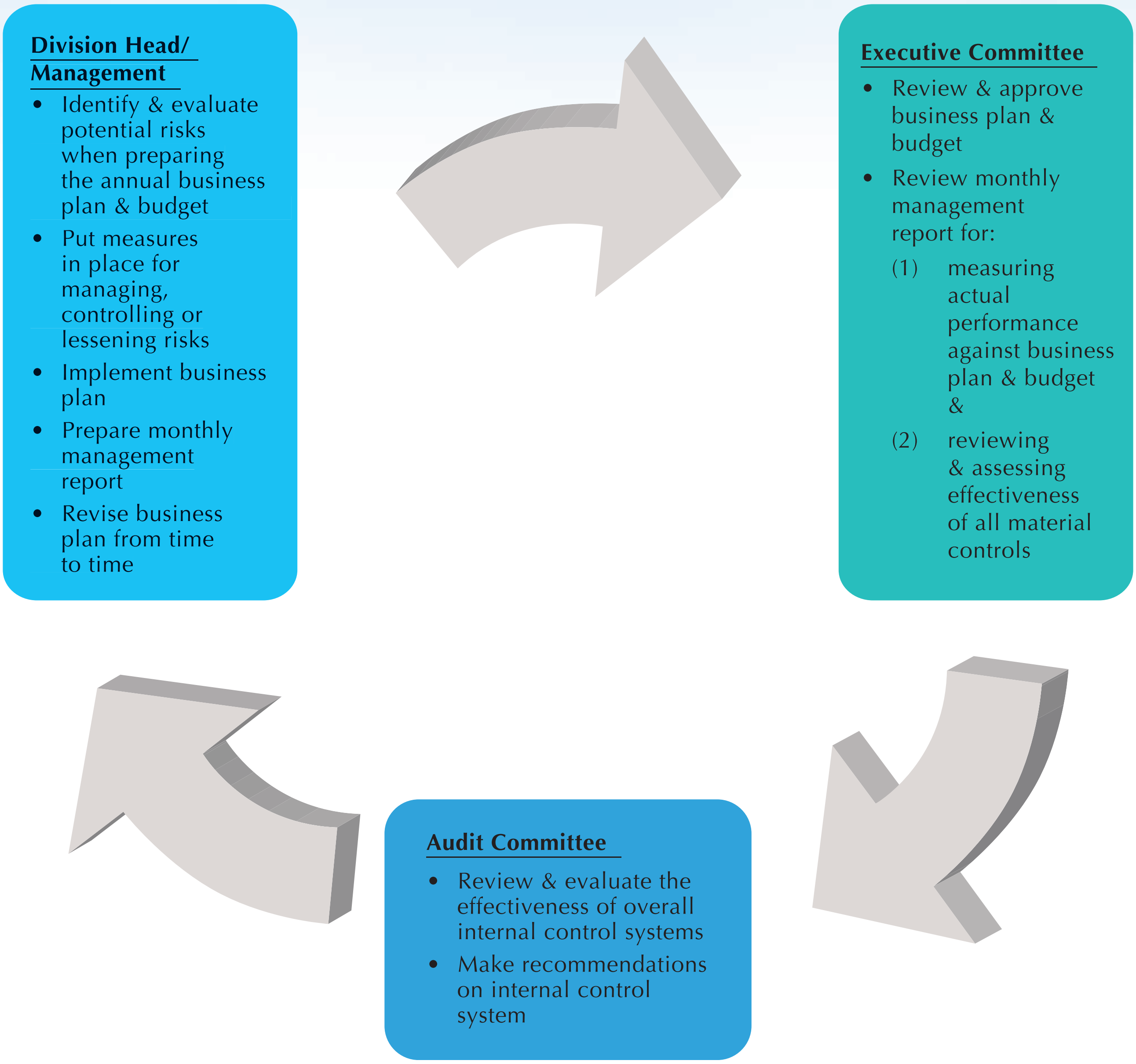
The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

INTERNAL CONTROL (continued)

Internal control system



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee, continuously reviewing the effectiveness of the Group's internal control systems.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2013.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	*HK$'000*
Audit services	2,185
Non-audit services:	
Interim review	608
Professional services rendered for connected transactions	100
Tax services	180
	3,073

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 64 to 65 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-intl.com.hk.

COMMUNICATION WITH SHAREHOLDERS (continued)

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, two general meetings were held. One of the general meetings was the 2013 AGM and the other was the extraordinary general meeting held on 27 December 2013 (the "EGM") for approving the master agreement entered into between the Company and Shougang Corporation on 4 December 2013 in respect of the continuing connected transactions for the three financial years ending 31 December 2016 (the "Continuing Connected Transactions"). The auditor of the Company, Deloitte Touche Tohmatsu, attended the 2013 AGM. All members of the independent board committee, which was established by the Board comprising all Independent Non-executive Directors to advise the independent shareholders of the Company on the Continuing Connected Transactions, attended the EGM. Details of the Directors' attendances at the general meetings of the Company held during the year are as follows:

Directors	**Attendance at the 2013 AGM**	**Attendance at the EGM**
Executive Directors		
Li Shaofeng	✓	✓
Zhang Wenhui	✓	✓
Non-executive Directors		
Xu Ning	X	X
Chen Zhouping	✓	✓
Ip Tak Chuen, Edmond	X	X
Leung Shun Sang, Tony	✓	✓
Independent Non-executive Directors		
Kan Lai Kuen, Alice	✓	✓
Wong Kun Kim	✓	✓
Leung Kai Cheung	✓	✓

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

SHAREHOLDERS' RIGHTS

Convene an extraordinary general meeting

Shareholder(s) representing at least 5% of the total voting rights of all shareholders of the Company having a right to vote at general meetings can request the Directors to call a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary.

Put forward proposals at shareholders' meetings

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a relevant right to vote at a general meeting can request the Company to circulate to the shareholders of the Company a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting pursuant to Section 580 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The expenses shall be borne by the shareholder(s) making the request unless the meeting concerned is an annual general meeting and the statement is received by the Company in time for sending with the notice of the meeting. The request must identify the statement to be circulated, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary at least 7 days before the meeting to which it relates.

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a right to vote on the resolution at an annual general meeting can request the Company to give to the shareholders of the Company notice of a resolution that may properly be moved and is intended to be moved at that meeting pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must identify the resolution of which notice is to be given, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary no later than 6 weeks before the annual general meeting to which the requests relate, or if later, the time at which notice of the meeting is given.

Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office or by email to our Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in note 50 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the financial statements on pages 66 to 198 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2012: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 199 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Particulars of the major investment properties of the Group as at 31 December 2013 are set out on page 200 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 71 of this annual report and in note 39 to the consolidated financial statements, respectively.

DONATIONS

No charitable donation was made by the Group during the year (2012: Nil).

DIRECTORS

The Directors of the Company during the year were as follows:

Xu Ning
Li Shaofeng
Zhang Wenhui
Chen Zhouping
Ip Tak Chuen, Edmond
Leung Shun Sang, Tony
Kan Lai Kuen, Alice*
Wong Kun Kim*
Leung Kai Cheung*

* *Independent Non-executive Directors*

In accordance with clause 103(A) of the Company's articles of association, Mr. Zhang Wenhui, Mr. Leung Shun Sang, Tony and Ms. Kan Lai Kuen, Alice will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2013 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2013 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2013
Li Shaofeng	Beneficial owner	–	20,000,000	20,000,000	0.22%
Zhang Wenhui	Beneficial owner	–	35,000,000	35,000,000	0.39%
Chen Zhouping	Beneficial owner	–	45,000,000	45,000,000	0.50%
Ip Tak Chuen, Edmond	Beneficial owner	2,290,000	–	2,290,000	0.02%
Leung Shun Sang, Tony	Beneficial owner	7,590,000	–	7,590,000	0.08%
Kan Lai Kuen, Alice	Beneficial owner	–	1,500,000	1,500,000	0.01%
Wong Kun Kim	Beneficial owner	–	1,500,000	1,500,000	0.01%
Leung Kai Cheung	Beneficial owner	–	1,500,000	1,500,000	0.01%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Century: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the issued share capital of Shougang Century as at 31.12.2013
Li Shaofeng	Beneficial owner	7,652,000	13,800,000	21,452,000	1.11%
Chen Zhouping	Beneficial owner	7,652,000	–	7,652,000	0.39%
Leung Shun Sang, Tony	Beneficial owner	7,652,000	12,000,000	19,652,000	1.02%

* *The interests are unlisted physically settled options.*

(c) Long positions in the shares and underlying shares of Shougang Fushan Resources Group Limited ("Shougang Resources"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Resources: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the issued share capital of Shougang Resources as at 31.12.2013
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%

* *The interests are unlisted physically settled options.*

Save as disclosed above, as at 31 December 2013, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Xu Ning	Shougang Corporation#	Steel manufacturing, trading of iron ore and steel products, and mineral exploration	Director
Li Shaofeng	Shougang Holding (Hong Kong) Limited ("Shougang Holding")#	Steel manufacturing, and trading of iron ore and steel products	Director
Zhang Wenhui	Shougang Holding#	Steel manufacturing, and trading of iron ore and steel products	Director
Chen Zhouping	Shougang Holding#	Steel manufacturing, and trading of iron ore and steel products	Director

\# *Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

The Board of the Company is independent from the boards of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2013, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 31.12.2013	*Note(s)*
Shougang Holding	Beneficial owner, interests of controlled corporations	4,214,625,699	47.04%	*1*
China Gate Investments Limited ("China Gate")	Beneficial owner	2,757,829,774	30.78%	*1*
Grand Invest International Limited ("Grand Invest")	Beneficial owner	768,340,765	8.57%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	455,401,955	5.08%	*2, 3*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	455,401,955	5.08%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	455,401,955	5.08%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	455,401,955	5.08%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	455,401,955	5.08%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares/underlying shares of the Company (continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 7 September 2011 (being the latest disclosure form filed up to 31 December 2013) that as at 6 September 2011, its interests included the interests held by China Gate and Grand Invest respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 27 February 2009 (being the latest disclosure form filed up to 31 December 2013) that as at 24 February 2009, 430,274,586 shares of the Company were held by two wholly-owned subsidiaries of Cheung Kong and 25,127,369 shares of the Company were held by CEF Holdings Limited which in turn was held as to 50% by Cheung Kong. Accordingly, Cheung Kong was interested in an aggregate of 455,401,955 shares of the Company.

3. Mr. Li Ka-shing indicated in his disclosure form dated 17 July 2012 (being the latest disclosure form filed up to 31 December 2013) that as at 16 July 2012, his interests in the Company were held by Cheung Kong which in turn was held as to 40.43% by TUT1. TUT1 was wholly-owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco") which in turn was held as to 33.33% by Mr. Li Ka-shing. TDT1 and TDT2, both were wholly-owned subsidiaries of Unity Holdco, were deemed to be interested in the shares of the Company which TUT1 was interested in. The long position in the 455,401,955 shares of the Company held by Cheung Kong, Mr. Li Ka-shing, TUT1, TDT1 and TDT2 were the same block of shares.

Save as disclosed above, as at 31 December 2013, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

SHARE OPTION SCHEMES (continued)

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme is set out below:

(a) The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme is 227,500,000 which represents approximately 2.54% of the shares of the Company in issue as at the date of this annual report. Since the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Each of the grantees was required to pay HK$1.00 as a consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2002 Scheme and the 2012 Scheme.

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

No share option was granted or cancelled in accordance with the terms of the 2002 Scheme during the year. Details of movements in the share options under the 2002 Scheme during the year are as follows:

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Exercised during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company							
Li Shaofeng	20,000,000[1]	–	–	20,000,000[1]	14.12.2010	14.12.2010 – 13.12.2017	HK$1.180
Zhang Wenhui	35,000,000[1]	–	–	35,000,000[1]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Chen Zhouping	45,000,000[1]	–	–	45,000,000[1]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Ip Tak Chuen, Edmond	4,590,000	(4,590,000)[2]	–	–	12.03.2003	12.03.2003 – 11.03.2013	HK$0.280
Kan Lai Kuen, Alice	1,500,000	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Wong Kun Kim	1,500,000	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Leung Kai Cheung	1,500,000	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	109,090,000	(4,590,000)	–	104,500,000			
Employees of the Group	13,000,000[1]	–	(5,000,000)[1]	8,000,000[1]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	13,000,000	–	(5,000,000)	8,000,000			
Other participants	115,000,000[1]	–	–	115,000,000[1]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	115,000,000	–	–	115,000,000			
	237,090,000	(4,590,000)	(5,000,000)	227,500,000			

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

Notes:

1. Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the relevant grantees.

2. The closing price of the shares of the Company immediately before the date on which the share options were exercised was HK$0.54 per share.

(b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for the period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 895,330,622, representing approximately 10% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2013, there was no share option outstanding under the 2012 Scheme.

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 or otherwise) during the year.

DISTRIBUTION RESERVES

At the end of the reporting period, the Company did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 31.8% of the total sales for the year and sales to the largest customer included therein amounted to approximately 10.5%. Purchases from the Group's five largest suppliers accounted for approximately 69.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 43.8%. The ultimate holding company of the controlling shareholder of the Company was Shougang Corporation, which together with its subsidiaries, was the largest customer and supplier of the Group. Save as disclosed above, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

As stated in the announcement of the Company dated 11 November 2010 and in the circular of the Company dated 1 December 2010, a master agreement dated 11 November 2010 (the "2010 Master Agreement") was entered into between the Company and Shougang Corporation, a connected person of the Company by virtue of its being the holding company of Shougang Holding, the controlling shareholder of the Company, in relation to (i) provision of raw materials, materials, fuel, energy, equipment, spare parts, steel products and services and other related products and/or services to the Group by Shougang Corporation and/or its associates (the "Purchases under the 2010 Master Agreement"); and (ii) supply of raw materials, scrap materials, steel products and services and other related products and/or services to Shougang Corporation and/or its associates by the Group (the "Sales under the 2010 Master Agreement") during the three financial years ended 31 December 2013.

Pursuant to the 2010 Master Agreement, the cap amounts of the Purchases under the 2010 Master Agreement and the Sales under the 2010 Master Agreement for each of the three financial years ended 31 December 2013 are as follows:

	Financial year ended 31 December		
	2011	**2012**	**2013**
	HK$ million	*HK$ million*	*HK$ million*
Cap amounts for the Purchases under the 2010 Master Agreement	24,100	25,400	27,900
Cap amounts for the Sales under the 2010 Master Agreement	23,200	30,100	33,400

The basis of determining the prices for the continuing connected transactions contemplated under the 2010 Master Agreement will be in accordance with: (1) comparable market price; or (2) if no comparable market price can be taken as a reference, a price reasonably agreed between the parties. The price should be no less favourable to/from third parties.

As Shougang Corporation was one of the largest steel producers in the People's Republic of China (the "PRC"), the continuing connected transactions with Shougang Corporation and/or its associates would guarantee a stable source of supply of raw materials, materials and related products and regular sales of materials and steel products to one of the largest steel companies in the PRC.

CONTINUING CONNECTED TRANSACTIONS (continued)

The continuing connected transactions carried out under the 2010 Master Agreement during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(a) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(b) the transactions were conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from (as the case may be) independent third parties; and

(c) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As the 2010 Master Agreement expired on 31 December 2013, a new master agreement between the Company and Shougang Corporation was entered into on 4 December 2013 (the "2013 Master Agreement") for governing the continuing connected transactions to be entered into between the Group and Shougang Corporation and/or its associates for the three financial years ending 31 December 2016. Pursuant to the 2013 Master Agreement, Shougang Corporation and/or its associates will provide raw materials, materials, fuel, energy, equipment, spare parts, steel products, leasing and services and other related products and/or services to the Group (the "Purchases under the 2013 Master Agreement") and the Group will provide raw materials, scrap materials, steel products, leasing and services and other related products and/or services to Shougang Corporation and/or its associates (the "Sales under the 2013 Master Agreement") during the three financial years ending 31 December 2016.

CONTINUING CONNECTED TRANSACTIONS (continued)

The cap amounts of the Purchases under the 2013 Master Agreement and the Sales under the 2013 Master Agreement for each of the three financial years ending 31 December 2016 are as follows:

	Financial year ending 31 December		
	2014	**2015**	**2016**
	HK$ million	*HK$ million*	*HK$ million*
Cap amounts for the Purchases under the 2013 Master Agreement	16,800	18,700	21,000
Cap amounts for the Sales under the 2013 Master Agreement	18,000	20,800	24,100

The basis of determining the prices for the continuing connected transactions contemplated under the 2013 Master Agreement will be in accordance with: (1) comparable market price; or (2) if no comparable market price can be taken as a reference, a price reasonably agreed between the parties on normal commercial terms and such price should be no less favourable to the Company than that available to/from (as appropriate) independent third parties.

As Shougang Corporation is one of the largest steel producers in the PRC, the continuing connected transactions with Shougang Corporation and/or its associates would guarantee a stable source of supply of raw materials, materials and related products from, and regular sales of materials and steel products to, one of the largest steel companies in the PRC.

Details of the 2013 Master Agreement were disclosed in the announcement of the Company dated 4 December 2013 and in the circular of the Company dated 9 December 2013. The 2013 Master Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 27 December 2013.

The transactions took place during the year as set out in notes 49(I)(a), (b), (e), (i) and (j) to the consolidated financial statements under the heading of "Related Party Disclosures" were continuing connected transactions which had been approved by the independent shareholders of the Company. The transactions as set out in notes 49(I)(c), (d), (f), (g) and (h) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

As regards the transactions took place during the year as set out in note 49(II) to the consolidated financial statements under the heading of "Related Party Disclosures", for those transactions with Shougang Corporation and/or its associates mentioned in notes 25, 28 and 29 to the consolidated financial statements, they were incidental to the continuing connected transactions which had been approved by the independent shareholders of the Company. The transactions as set out in note 35 to the consolidated financial statements and the provision of corporate guarantees by Shougang Corporation for bank loans to the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions set out in note 49(IV) to the consolidated financial statements under the heading of "Related Party Disclosures" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the year as set out under the heading of "Related Party Disclosures" did not constitute connected transactions under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

(a) Pursuant to the facility agreement dated 15 April 2013 (the "Facility Agreement") entered into between the Company and Fubon Bank (Hong Kong) Limited (the "Bank") in relation to a committed term loan facility in an aggregate amount of HK$350,000,000 (the "Facility"), each of the following will constitute an event of default upon which the Bank may declare that all or part of the Facility together with accrued interest and all other amounts accrued or outstanding be immediately due and payable: (i) Shougang Holding, the controlling shareholder of the Company, ceases to be a wholly-owned subsidiary of Shougang Corporation, a company incorporated in the PRC and is the holding company of Shougang Holding; (ii) Shougang Holding ceases to be the single largest beneficial shareholder of the Company with ownership of less than 35% of the equity interest and beneficial ownership in the Company; and (iii) Shougang Corporation ceases to be able to direct the affairs of Shougang Holding and/or to control the composition of the board of directors of Shougang Holding. The Facility shall be repaid by the Company by instalments with the last instalment due on the final maturity date which is 36 months from the date of the Facility Agreement.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)

(b) Under the facility letter entered into by the Company on 24 June 2011 with Bank of China (Hong Kong) Limited relating to the banking facilities (the "Facilities") of (i) forward foreign exchange and currency option transaction facilities of US$80,000,000 (the "Facility I"); and (ii) term loan of up to US$70,000,000 (the "Facility II"), the Company shall procure that (i) Shougang Holding owns not less than 40% interest in the Company and Shougang Holding in turn shall be wholly-owned by Shougang Corporation throughout the life of the Facilities; (ii) Shougang Corporation should maintain management control in Shougang Holding; and (iii) Shougang Holding, either directly or through its subsidiaries indirectly, remains the single largest beneficial shareholder of the Company. Breach of any of the above will constitute an event of default upon which the Facilities will, among others, become immediately due and payable. There is no specific term regarding the life of the Facility I while the Facility II shall be repaid by the Company by instalments with the last instalment due on the date falling 42 months after the date of first drawdown of the Facility II.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 27 to 46 of this annual report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Li Shaofeng
Managing Director

Hong Kong, 27 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
首長國際企業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 66 to 198, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	6	**15,266,361**	16,215,940
Cost of sales		**(16,116,678)**	(17,534,972)
Gross loss		**(850,317)**	(1,319,032)
Other income	7	**65,902**	61,542
Other gains and losses	8	**(166,582)**	(386,380)
Change in fair value of derivative financial instruments		**95,273**	158,437
Distribution and selling expenses		**(90,987)**	(100,798)
Administrative expenses		**(466,504)**	(508,378)
Finance costs	9	**(802,085)**	(794,135)
Share of results of associates		**281,803**	370,380
Loss before taxation		**(1,933,497)**	(2,518,364)
Income tax (expense) credit	10	**(11,259)**	2,175
Loss for the year from continuing operations	12	**(1,944,756)**	(2,516,189)
Discontinued operations			
Loss for the year from discontinued operations	11	**–**	(29,579)
Loss for the year	12	**(1,944,756)**	(2,545,768)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**5,505**	(670)
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income		**1,608**	3,277
Share of exchange differences of an associate arising on translation to presentation currency		**23,188**	1,827
Share of fair value losses on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**(1,655)**	(130,131)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**73,984**	21,978
Other comprehensive income (expense) for the year		**102,630**	(103,719)
Total comprehensive expense for the year		**(1,842,126)**	(2,649,487)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTE	**2013 HK$'000**	2012 HK$'000
Loss for the year attributable to owners of the Company			
– from continuing operations		**(1,395,502)**	(1,917,627)
– from discontinued operations		**–**	(29,579)
Loss for the year attributable to owners of the Company		**(1,395,502)**	(1,947,206)
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(549,254)**	(598,562)
		(1,944,756)	(2,545,768)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,294,217)**	(2,057,974)
Non-controlling interests		**(547,909)**	(591,513)
		(1,842,126)	(2,649,487)
Loss per share	15		
From continuing and discontinued operations			
– Basic		**(15.58) HK cents**	(21.75) HK cents
– Diluted		**(15.58) HK cents**	(21.75) HK cents
From continuing operations			
– Basic		**(15.58) HK cents**	(21.42) HK cents
– Diluted		**(15.58) HK cents**	(21.42) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**40,294**	38,687
Property, plant and equipment	17	**11,440,070**	11,651,210
Prepaid lease rentals	18	**323,877**	361,815
Intangible asset	20	**–**	–
Mining assets	19	**–**	129,004
Goodwill	20	**–**	–
Interests in associates	23	**7,777,033**	7,584,652
Equity investments	24	**198,871**	192,253
Deferred tax assets	36	**39,919**	46,482
Other financial assets	30	**477,895**	594,603
Deposits for acquisition of property, plant and equipment	25	**21,062**	25,071
Pledged bank deposits	31	**84,925**	92,403
		20,403,946	20,716,180
CURRENT ASSETS			
Inventories	26	**3,120,297**	3,258,761
Trade and bills receivables	27	**1,496,910**	1,982,962
Trade receivables from related companies	28	**162,307**	163,854
Prepayments, deposits and other receivables	27	**592,787**	637,760
Prepaid lease rentals	18	**7,922**	8,833
Tax recoverable		**262**	202
Amounts due from related companies	28	**43,505**	23,878
Amount due from an associate	28	**6,731**	2,911
Amount due from a non-controlling shareholder of a subsidiary	28	**3,816**	3,700
Amount due from ultimate holding company of a shareholder	29	**7,797**	5,220
Other financial assets	30	**195,988**	239,513
Restricted bank deposits	31	**1,036,994**	617,329
Pledged bank deposits	31	**223,368**	161,672
Bank balances and cash	32	**1,266,262**	1,563,345
		8,164,946	8,669,940
CURRENT LIABILITIES			
Trade and bills payables	33	**4,073,807**	3,540,071
Trade payables to related companies	28	**536,093**	354,459
Trade payables to ultimate holding company of a shareholder	29	**4,746,408**	3,282,689
Other payables, provision and accrued liabilities	33	**1,268,691**	1,133,790
Tax payable		**178,123**	206,152
Amounts due to related companies	28	**391,176**	363,801
Amount due to ultimate holding company of a shareholder	29	**225,607**	396,870
Bank borrowings – due within one year	34	**8,739,634**	10,287,475
Other financial liabilities	30	**1,660**	3,936
Loans from ultimate holding company of a shareholder	35	**893,337**	868,673
		21,054,536	20,437,916
NET CURRENT LIABILITIES		**(12,889,590)**	(11,767,976)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,514,356**	8,948,204

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	34	**856,074**	455,167
Deferred tax liabilities	36	**39,131**	30,233
		895,205	485,400
		6,619,151	8,462,804
CAPITAL AND RESERVES			
Share capital	37	**1,791,579**	1,790,661
Share premium and reserves		**5,010,207**	6,302,559
Equity attributable to owners of the Company		**6,801,786**	8,093,220
Non-controlling interests		**(182,635)**	369,584
		6,619,151	8,462,804

The consolidated financial statements on pages 66 to 198 were approved and authorised for issue by the Board of Directors on 27 March 2014 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Zhang Wenhui
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	22	**3,423,535**	3,955,166
Investment in an associate	23	**4,876**	4,876
Amounts due from subsidiaries	22	**3,983,404**	4,460,847
Other financial assets	30	**477,895**	594,603
Pledged bank deposits	31	**84,925**	92,403
		7,974,635	9,107,895
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**101,460**	924
Other financial assets	30	**195,988**	239,513
Pledged bank deposits	31	**127,448**	–
Bank balances and cash	32	**508,464**	436,681
		933,360	677,118
CURRENT LIABILITIES			
Other payables and accrued liabilities		**4,308**	8,471
Amounts due to subsidiaries	22	**515,565**	412,365
Bank borrowings – due within one year	34	**1,308,730**	2,031,757
Other financial liabilities	30	**3,145**	138,336
		1,831,748	2,590,929
NET CURRENT LIABILITIES		**(898,388)**	(1,913,811)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,076,247**	7,194,084
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	34	**747,364**	–
		6,328,883	7,194,084
CAPITAL AND RESERVES			
Share capital	37	**1,791,579**	1,790,661
Share premium and reserves	39	**4,537,304**	5,403,423
		6,328,883	7,194,084

Li Shaofeng
DIRECTOR

Zhang Wenhui
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000 (Note a)	Exchange reserve HK$'000	Share option reserve HK$'000	Enterprise expansion fund and statutory reserve fund HK$'000 (Note b)	Security investment reserve HK$'000	Non-distributable reserve HK$'000 (Note c)	Accumulated (losses) profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	1,790,661	3,530,626	22,611	33,325	1,127,561	284,623	726,372	(308,806)	51,979	2,889,429	10,148,381	966,906	11,115,287
Loss for the year	–	–	–	–	–	–	–	–	–	(1,947,206)	(1,947,206)	(598,562)	(2,545,768)
Exchange differences arising on translation	–	–	–	–	(585)	–	–	–	–	–	(585)	(85)	(670)
Fair value (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	–	–	(3,857)	–	–	(3,857)	7,134	3,277
Share of other comprehensive income (expense) of associates	–	–	–	–	23,805	–	–	(130,131)	–	–	(106,326)	–	(106,326)
Total comprehensive income (expense) for the year	–	–	–	–	23,220	–	–	(133,988)	–	(1,947,206)	(2,057,974)	(591,513)	(2,649,487)
Release on disposal of a subsidiary (note 42)	–	–	–	(4,987)	–	–	–	–	–	4,987	–	–	–
Transfer to enterprise expansion fund and statutory reserve fund	–	–	–	–	–	–	2,698	–	–	(2,698)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(5,809)	(5,809)
Recognition of equity-settled share-based payments	–	–	–	–	–	2,813	–	–	–	–	2,813	–	2,813
Transfer upon deregistration of a subsidiary of an associate	–	–	–	–	(309)	–	–	–	–	309	–	–	–
At 31 December 2012	1,790,661	3,530,626	22,611	28,338	1,150,472	287,436	729,070	(442,794)	51,979	944,821	8,093,220	369,584	8,462,804
Loss for the year	–	–	–	–	–	–	–	–	–	(1,395,502)	(1,395,502)	(549,254)	(1,944,756)
Exchange differences arising on translation	–	–	–	–	6,010	–	–	–	–	–	6,010	(505)	5,505
Fair value (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	–	–	(242)	–	–	(242)	1,850	1,608
Share of other comprehensive income (expense) of associates	–	–	–	–	97,172	–	–	(1,655)	–	–	95,517	–	95,517
Total comprehensive income (expense) for the year	–	–	–	–	103,182	–	–	(1,897)	–	(1,395,502)	(1,294,217)	(547,909)	(1,842,126)
Exercise of share options	918	367	–	–	–	–	–	–	–	–	1,285	–	1,285
Transfer to enterprise expansion fund and statutory reserve fund	–	–	–	–	–	–	89	–	–	(89)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(4,310)	(4,310)
Recognition of equity-settled share-based payment	–	–	–	–	–	1,498	–	–	–	–	1,498	–	1,498
At 31 December 2013	**1,791,579**	**3,530,993**	**22,611**	**28,338**	**1,253,654**	**288,934**	**729,159**	**(444,691)**	**51,979**	**(450,770)**	**6,801,786**	**(182,635)**	**6,619,151**

Notes:

(a) Revaluation reserve represented (i) the fair value recognised on prepaid lease rentals for the original equity interest held, which is 51%, upon the step-up acquisition of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") in 2005; and (ii) the difference between the carrying value and the fair value of the prepaid lease rentals of Shougang Concord Godown Limited ("Godown"), a former wholly-owned subsidiary disposed of during the year ended 31 December 2012, arisen from the transfer of prepaid lease rentals to investment properties as its use had changed as evidenced by end of owner-occupation in previous years. The relevant revaluation reserve was transferred to accumulated profits upon disposal of Godown during the year ended 31 December 2012.

(b) Enterprise expansion fund and statutory reserve fund, which are non-distributable, are appropriated from the profit after tax of the Company's subsidiaries under the applicable laws and regulations in the People's Republic of China (other than Hong Kong).

(c) Non-distributable reserve represented the capitalisation of the dividends paid out of the enterprise expansion fund and statutory reserve fund.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before taxation from continuing and discontinued operations	**(1,933,497)**	(2,547,943)
Adjustments for:		
Interest income	**(45,418)**	(47,592)
Interest expenses	**802,085**	794,135
Share of results of associates	**(281,803)**	(370,380)
Recognition of equity-settled share based payment	**1,498**	2,813
Gain on deemed acquisition of interests in an associate	**–**	(17,564)
Gain from changes in fair value of investment properties	**(645)**	(6,617)
(Gain) loss on disposal of property, plant and equipment	**(72)**	43
Depreciation of property, plant and equipment	**915,994**	831,838
Gain on disposal of a subsidiary	**–**	(15,559)
Amortisation of prepaid lease rentals	**8,534**	8,439
Change in fair value of derivative financial instruments	**(95,273)**	(158,437)
Impairment loss on mining assets	**130,958**	56,642
Impairment loss on property, plant and equipment	**–**	184,094
Impairment loss on goodwill	**–**	146,015
Release of provision for onerous contracts	**–**	(47,200)
Allowance for inventories	**180,078**	130,571
Allowance for trade and other receivables and trade receivables from related companies, net	**61,396**	34,130
Operating cash flows before movements in working capital	**(256,165)**	(1,022,572)
Decrease in inventories	**301,474**	926,929
Decrease in trade and bills receivables	**70,833**	168,440
Decrease in prepayments, deposits and other receivables	**62,499**	190,637
Decrease in trade receivables and amounts due from related companies	**8,732**	834,405
Increase in amount due from ultimate holding company of a shareholder	**(2,429)**	(574)
(Increase) decrease in amount due from an associate	**(3,737)**	3,445
Increase in trade and bills payables	**476,893**	203,820
Increase (decrease) in other payables, provision and accrued liabilities	**101,684**	(274,702)
Increase in trade payables to ultimate holding company of a shareholder	**1,359,248**	409,598
Increase in trade payables to related companies	**112,234**	52,186
Cash generated from operations	**2,231,266**	1,491,612
Interest paid	**(825,812)**	(815,661)
Income taxes paid	**(1,812)**	(6,150)
NET CASH FROM OPERATING ACTIVITIES	**1,403,642**	669,801

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Increase in restricted bank deposits		**(419,665)**	(110,791)
Withdrawal of pledged bank deposits		**345,516**	444,352
Placement of pledged bank deposits		**(382,207)**	(105,792)
Purchase of property, plant and equipment		**(364,977)**	(388,559)
Repayment of entrusted loan receivables		**–**	86,144
Deposits paid for acquisition of property, plant and equipment		**(21,774)**	(25,731)
Dividends received from associates		**185,922**	270,975
Interest received		**45,418**	47,592
Repayment from an associate		**–**	4,477
Proceeds from disposal of property, plant and equipment		**1,177**	234
Addition of investment properties		**–**	(436)
Proceeds from disposal of a subsidiary	42	**–**	27,502
Payment for prepaid lease rentals		**–**	(9,949)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(610,590)**	240,018
FINANCING ACTIVITIES			
New bank borrowings raised		**10,097,609**	12,925,154
Proceeds from issue of shares on exercise of share options		**1,285**	–
Advance on discounted bills		**160,646**	443,453
Loan from related companies		**169,483**	161,768
Repayment to related companies		**(83,040)**	(178,652)
Advance from ultimate holding company of a shareholder		**583,900**	293,801
Repayment of bank borrowings		**(11,275,088)**	(14,688,713)
Dividends paid to non-controlling shareholders of a subsidiary		**(4,310)**	(5,809)
Settlement of loans from ultimate holding company of a shareholder		**(755,164)**	(149,235)
NET CASH USED IN FINANCING ACTIVITIES		**(1,104,679)**	(1,198,233)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(311,627)**	(288,414)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,563,345**	1,846,927
Effect of foreign exchange rate changes		**14,544**	4,832
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,266,262**	1,563,345

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 2013, 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 of Hong Kong Limited) 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 note 50.

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$12,889,590,000 as at 31 December 2013. The Company had net current liabilities of approximately HK$898,388,000 as at 31 December 2013. 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 of the Company ("Directors") are of the opinion that the Group and the Company have 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")

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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

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

Amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

- recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*; and

- recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The Group has outstanding interest rate swap contracts presented as other financial liabilities in the consolidated statement of financial position which are under master netting agreements. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements and respective disclosures relating to the Group's master netting agreements as the amount of other financial liabilities arising from the interest rate swap contracts is insignificant.

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int–12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investments in investees in accordance with the requirements of HKFRS 10. The Directors concluded the application of HKFRS 10 in the current year has had no material effect on the amounts reported in these consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 23 and 50 for details).

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

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply 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 for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16 and 41c for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as the statement of profit or loss and other comprehensive income. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

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 2010–2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 9	Financial Instruments: Hedge Accounting[5]
HKFRS 14	Regulatory Deferred Accounts[4]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.

[2] Effective for annual periods beginning on or after 1 July 2014.

[3] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

[5] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss.

The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

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

Annual Improvements to HKFRSs 2010–2012 Cycle (continued)

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2010-2012 Cycle* will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The *Annual Improvements to HKFRSs 2011–2013 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of HKAS 40; and
- the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the *Annual Improvements to HKFRSs 2011–2013 Cycle* will have a material effect on the Group's consolidated financial statements.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The Directors do not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the amounts of financial assets and financial liabilities that qualify for offset are immaterial.

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

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The Directors do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HKFRS 9 Financial instrument: Hedge Accounting

The Group had early adopted HKFRS 9 as amended in 2010 in 2012. HKFRS 9 has been further amended in 2013 to include the new requirements for hedge accounting.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedging effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors do not anticipate that the application of HKFRS 9 will have any effect on the Group's consolidated financial statements as the Group does not have any hedging instruments.

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

HKFRS 14 Regulatory Deferral Accounts

HKFRS 14 *Regulatory Deferral Accounts* describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with this standard because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

The Directors anticipate that the application of HKFRS 14 will have no effect on the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

HK(IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The Directors anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation(continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill(continued)

Goodwill arising on acquisition on or after 1 January 2005 but before 1 January 2010

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and event in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Acquisition of an associate achieved in stages prior to 1 January 2010

For acquisition of associates through successive share purchases and for which the investment was previously accounted for as available-for-sale investments with changes in fair value included in other comprehensive income, cumulative changes in the fair value of previously held ownership interests are reversed through other comprehensive income upon the Group has significant influence in the investee.

Any excess of the initial cost of acquisition of the investee over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired on the date of exchange transaction is recognised as goodwill, which is included within the carrying amount of the investment in associate and is assessed for impairment as part of investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired over the initial recognised cost of acquisition of the investee on the date of exchange transaction, after reassessment, is recognised immediately in profit or loss.

The changes in the investee's accumulated profits and other equity balances from the date the investment was initially acquired up to the date the investment becomes an associate of the Group are included in accumulated profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

Acquisition of additional interest in an associate

Any excess of the cost of acquisition of additional equity interest over the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities of the associate attributable to the additional equity interest acquired is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities attributable to the additional equity interest acquired over the cost of acquisition of additional equity interest, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its associate of the Group (such as sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Interests in subsidiaries

Interests in subsidiaries are stated in the Company's statement of financial position at cost (including deemed capital contribution) less subsequent accumulated impairment losses, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Rental income from letting of properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Freight revenue from time charter which is operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Freight revenue from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

Hire income from floating cranes is recognised on a time proportion basis.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or service, or for administrative purpose other than properties under construction as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the costs of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining assets

Mining assets include mining rights and mining structures. Mining assets acquired separately are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is provided to write off the cost of the mining assets using the units of production method over the total proven and probable reserves of the iron mines.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Prepaid lease rentals

Payments for obtaining land use rights are accounted for as prepaid lease rentals and are charged to profit or loss on a straight-line basis over the lease terms.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associates that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On the disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to accumulated profits (losses).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefits scheme/state-managed retirement benefit schemes/ the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible asset

Deferred product design fees

Deferred product design fees acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred product design fees with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Financial assets at amortised cost

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the other income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Group designates such investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition.

A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument.

Debt instruments that do not meet the amortised cost criteria (see (b)(i) above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instrument as at FVTPL on initial application of HKFRS 9 and during the year.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in other gains and losses.

(iii) Financial assets at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the security investment reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVTOCI on initial application of HKFRS 9 and during the year.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in other income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Impairment losses of financial assets

Financial assets, other than those at FVTPL and FVTOCI, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Prior to 1 January 2012, for an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place. Impairment losses for available-for-sale equity investments will not be reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in security investment reserve.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of not more than 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Prior to 1 January 2012, for an available-for-sale equity investment carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Impairment losses of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and trade receivables from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or trade receivable from related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, except for a financial asset that is classified as at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity reserve is recognised in profit or loss.

On derecognition of a financial asset that is classified as at FVTOCI, the cumulative gain or loss previously accumulated in the security investment reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

(a) Classification and measurement

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(i) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

(ii) Financial liabilities

Financial liabilities (including trade and bills payables, trade payables to related companies and ultimate holding company of a shareholder, other payables, bank borrowings, amounts due to subsidiaries, amounts due to related companies, loans from ultimate holding company of a shareholder and amount due to ultimate holding company of a shareholder) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(b) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Forward contracts to acquire an associate or additional interests in an existing associate at a future acquisition date are accounted for as derivative financial instruments. Changes in fair value of such contracts are recognised in profit or loss up to the completion of the acquisition.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments are recognised as derivative financial instruments with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amounts recognised as provisions are the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When allocating an impairment loss to individual assets within a cash-generating unit, the carrying amount of an individual asset should not be reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable), and zero. If this results in an amount being allocated to an asset which is less than its pro rata share of the impairment loss, the excess is allocated to the remaining assets within the cash-generating unit on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees and other eligible participants of the Group and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees and other eligible participants of the Group after 7 November 2002 and vested on or after 1 January 2005

For grants of share options that are conditional upon satisfying specified vesting conditions, to fair value of services recovered is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest. The impact of the revision of original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in the share option reserve.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties which are located in Hong Kong 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.

Therefore, in measuring the Group's deferred taxation on investment properties located in Hong Kong, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group does not recognise any further deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties.

For the investment properties located in the PRC, the Directors concluded that they 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 and the Group continues to recognise deferred tax 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 the manner in which the entity expects to recover the carrying amounts of the assets.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of trade receivables is HK$1,496,910,000, net of allowance for doubtful debts of HK$187,436,000 (31 December 2012: carrying amount of HK$1,982,962,000, net of allowance of doubtful debts of HK$141,399,000).

The movement in the allowance for doubtful debts recognised during the year is set out in note 27.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Allowance for inventories

As at 31 December 2013, the carrying amount of the Group's inventories is HK$3,120,297,000 (2012: HK$3,258,761,000). The management of the Group reviews an ageing analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete and slow moving items. The management also estimates the net realisable value for finished goods, work in progress and raw materials based primarily on the latest invoice prices and current market conditions. If the conditions of inventory of the Group become no longer suitable for use in production, an additional allowance may be required.

Impairment of mining assets and property, plant and equipment

The carrying amounts of mining assets amounting to HK$nil (2012: HK$129,004,000) and property, plant and equipment amounting to HK$11,440,070,000 (2012: HK$11,651,210,000) are reviewed for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount which is the higher of value in use and fair value less costs of disposal. If it is not possible to estimate the recoverable amount of the property, plant and equipment and mining assets individually, the management determines the recoverable amount of the cash generating unit to which such assets belong. The value in use is based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the actual future cash flows are less than or more than expected, or there are favourable or unfavourable events and changes in facts and circumstances which result in revision of future estimated cash flows, a material impairment loss may arise or reverse. During the year ended 31 December 2013, the impairment loss recognised in respect of mining assets approximate to HK$130,958,000 (2012: HK$56,642,000). During the year ended 31 December 2012, the impairment loss recognised in respect of property, plant and equipment approximate to HK$184,094,000 (2013: nil). Details of the recoverable amount calculation for mining assets and property, plant and equipment are disclosed in note 21.

Income taxes

No deferred tax asset has been recognised in respect of tax losses of approximately HK$6,721 million, of which HK$380 million is subject to confirmation by Hong Kong Inland Revenue Department ("IRD") and HK$1,876 million is subject to confirmation by the State Administration of Taxation of the PRC ("SAT") (2012: HK$4,896 million, of which HK$447 million was subject to IRD's confirmation and HK$1,996 million is subject to SAT's confirmation) due to the unpredictability of future profit streams. In cases where probable taxable profit will be available against which the deductible temporary differences can be utilised and the amounts are confirmed by the relevant tax authorities, a deferred tax asset may be recognised.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value and classification of current and non-current portion of commodity forward contracts to purchase iron ore

The fair value of commodity forward contracts stated in the statements of financial position are determined by the present value of future cash flows estimated in the valuation model and the fair value for the commodity forward contracts to purchase iron ore is established by using valuation techniques. The current portion of commodity forward contracts was determined based on the present value of future cash inflows within one year from the end of the reporting period and the remaining present value of future cash inflows was classified as non-current. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of those that developed the valuation techniques. However, it should be noted that some inputs, such as forecasted Platts Iron Ore Index, the forecasted annual production of the mines, the lives of the mines, the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China and a discount rate of 17% (2012: 17%), require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the commodity forward contracts. The carrying amount of the commodity forward contracts is HK$673,883,000 (2012: HK$834,116,000). Details of the commodity forward contracts are disclosed in note 30.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available for Level 1 inputs. In the Level 2 fair value measurements, the Group derived the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly with reference to the market information. When Level 1 and Level 2 inputs are not available, the Group engages a third party qualified valuer to perform the valuation of commodity forward contracts and unlisted equity securities designated as at FVTOCI. The Finance Department works closely with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 16, 24, 30 and 41c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Depreciation

The carrying value of the Group's property, plant and equipment as at 31 December 2013 was approximately HK$11,440,070,000 (2012: HK$11,651,210,000). The Group depreciates the property, plant and equipment on a straight-line basis over their estimated useful lives of 3 to 50 years, after taking into account their estimated residual value, commencing from the date the property, plant and equipment is available for use. The estimated useful lives and dates that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the usage of the Group's property, plant and equipment. If the estimated useful life of property, plant and equipment did not reflect its actual useful life, additional depreciation may be required.

6. 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:

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Sale of steel products	**10,976,650**	11,765,840
Sale of iron ore	**4,127,116**	4,203,179
Sale of coal and coke	**158,970**	237,528
Floating cranes leasing income	**133**	5,901
Management services income	**3,492**	3,492
	15,266,361	16,215,940
Discontinued operations		
Vessel chartering income	**–**	76,312
	15,266,361	16,292,252

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 2012. The segment information reported below included the amounts in relation to discontinued operations, which are described in more detail in note 11.

6. REVENUE AND SEGMENT INFORMATION (continued)

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 2013

	Steel manufacturing HK$'000	Shipping operations HK$'000	Commodity trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Revenue						
External sales	10,613,925	133	4,426,947	221,864	3,492	15,266,361
Inter-segment sales	–	–	–	419,714	–	419,714
Segment revenue	10,613,925	133	4,426,947	641,578	3,492	15,686,075
Eliminations						(419,714)
Group revenue						15,266,361

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	(1,294,475)	(3,516)	163,126	(310,716)	5,103	(1,440,478)
Interest income						45,418
Central administration costs						(20,431)
Finance costs						(802,085)
Gain from change in fair value of derivative financial instruments						2,276
Share of results of associates						281,803
Loss before taxation from continuing operations						(1,933,497)

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2012

	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	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.

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)

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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, gain on deemed acquisition of 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:

	2013	2012
	HK$'000	HK$'000
Segment assets		
Steel manufacturing	**14,947,570**	15,769,990
Shipping operations	**4,809**	10,431
Commodity trading	**1,229,814**	1,414,711
Mineral exploration	**1,753,919**	1,927,585
Others	**5,146**	5,065
Total segment assets	**17,941,258**	19,127,782
Interests in associates	**7,777,033**	7,584,652
Equity investments	**198,871**	192,253
Deferred tax assets	**39,919**	46,482
Tax recoverable	**262**	202
Restricted bank deposits	**1,036,994**	617,329
Pledged bank deposits	**308,293**	254,075
Bank balances and cash	**1,266,262**	1,563,345
Consolidated assets	**28,568,892**	29,386,120

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	2013	2012
	HK$'000	HK$'000
Segment liabilities		
Steel manufacturing	**9,338,822**	6,950,650
Shipping operations	**177**	38,765
Commodity trading	**381,459**	430,119
Mineral exploration	**899,609**	882,443
Others	**4,932**	9,032
Total segment liabilities	**10,624,999**	8,311,009
Amounts due to related companies – non-trade	**391,176**	363,801
Amount due to ultimate holding company of a shareholder – non-trade	**225,607**	396,870
Bank borrowings	**9,595,708**	10,742,642
Tax payable	**178,123**	206,152
Deferred tax liabilities	**39,131**	30,233
Other financial liabilities	**1,660**	3,936
Loans from ultimate holding company of a shareholder	**893,337**	868,673
Consolidated liabilities	**21,949,741**	20,923,316

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.

6. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2013

	Steel manufacturing HK$'000	Shipping operations HK$'000	Commodity trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	334,744	38	–	48,075	151	383,008
Depreciation of property, plant and equipment	869,085	882	403	45,343	281	915,994
Amortisation of prepaid lease rentals	8,051	–	–	483	–	8,534
Gain on disposal of property, plant and equipment	(69)	–	(3)	–	–	(72)
Research and development cost recognised as expenses	3,385	–	–	–	–	3,385
Impairment loss on mining assets	–	–	–	130,958	–	130,958
Allowance for (reversal of) doubtful debts	(905)	–	(23)	62,324	–	61,396
Allowance for inventories	180,078	–	–	–	–	180,078
Fair value of commodity forward contracts upon delivery	–	–	253,230	–	–	253,230
Change in fair value of commodity forward contracts	–	–	(92,997)	–	–	(92,997)

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information (continued)

2012

	Steel manufacturing HK$'000	Shipping operations HK$'000	Commodity trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	247,633	11	12	107,469	18	355,143
Depreciation of property, plant and equipment	772,477	1,978	142	56,961	280	831,838
Amortisation of prepaid lease rentals	8,150	–	21	268	–	8,439
Loss on disposal of property, plant and equipment	43	–	–	–	–	43
Research and development cost recognised as expenses	3,309	–	–	–	–	3,309
Impairment losses on property, plant and equipment	4,500	–	–	179,594	–	184,094
Impairment loss on goodwill	146,015	–	–	–	–	146,015
Impairment loss on mining assets	–	–	–	56,642	–	56,642
Allowance for (reversal of) doubtful debts	845	3,958	(7,734)	37,061	–	34,130
Allowance for inventories	127,811	–	2,760	–	–	130,571
Fair value of commodity forward contracts upon delivery	–	–	216,924	–	–	216,924
Change in fair value of commodity forward contracts	–	–	(157,200)	–	–	(157,200)

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

6. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major products and services

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

	2013 HK$'000	2012 HK$'000
Continuing operations		
Steel plates	**10,728,077**	11,527,723
Iron ore	**4,127,116**	4,203,179
Coal and coke	**158,970**	237,528
Steel slabs	**248,573**	238,117
Floating cranes leasing	**133**	5,901
Management services	**3,492**	3,492
	15,266,361	16,215,940
Discontinued operations		
Vessel chartering	**–**	76,312
	15,266,361	16,292,252

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)	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
PRC, excluding Hong Kong (country of domicile)	**11,193,773**	12,696,947	**11,855,355**	12,229,260
Hong Kong	**3,708**	80,229	**7,746,981**	7,561,179
Australia	**3,835,153**	3,367,772	**–**	–
Korea	**–**	55,969	**–**	–
Others	**233,727**	91,335	**–**	–
	15,266,361	16,292,252	**19,602,336**	19,790,439

6. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

During the years ended 31 December 2013 and 2012, 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$1,608,060,000 (2012: HK$3,457,677,000) to the Group's revenue.

7. OTHER INCOME

	2013	2012
	HK$'000	HK$'000
Continuing operations		
Interest income on bank deposits	**45,418**	47,592
Scrap sales income	**4,873**	5,105
Compensation income	**671**	272
Sundry income	**14,940**	8,573
	65,902	61,542

8. OTHER GAINS AND LOSSES

	2013 HK$'000	2012 HK$'000
Continuing operations		
Impairment loss on property, plant and equipment (note 17)	–	(184,094)
Impairment loss on mining assets (note 19)	(130,958)	(56,642)
Impairment loss on goodwill	–	(146,015)
Gain (loss) on disposal of property, plant and equipment	72	(43)
Gain on deemed acquisition of interests in an associate (note 23)	–	17,564
Net foreign exchange gain (loss)	25,055	(5,196)
Gain from changes in fair value of investment properties	645	6,617
Allowance for trade and other receivables and trade receivables from related companies, net	(61,396)	(34,130)
Gain on disposal of a subsidiary (note 42)	–	15,559
	(166,582)	(386,380)

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	593,367	624,065
Other borrowings wholly repayable within five years	53,845	65,034
Total borrowing costs	647,212	689,099
Add: Factoring cost for discounted receivables	182,069	126,562
Less: Amounts capitalised	(27,196)	(21,526)
	802,085	794,135

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 6.91% (2012: 6.53%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE (CREDIT)

	2013 HK$'000	2012 HK$'000
Continuing operations		
Current tax:		
– Hong Kong	**1,109**	–
– PRC Enterprise Income Tax	**1,439**	617
	2,548	617
Under(over)provision in prior year:		
– Hong Kong	**–**	(80)
– PRC Enterprise Income Tax	**176**	148
	176	68
Deferred tax (note 36):		
Current year	**8,535**	(2,860)
Income tax expense (credit)	**11,259**	(2,175)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2013.

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

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%.

10. INCOME TAX EXPENSE (CREDIT) (continued)

The tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	HK$'000	HK$'000
Loss before tax from continuing operations	**(1,933,497)**	(2,518,364)
Taxation at the income tax rate of 25% (2012: 25%) (Note)	**(483,374)**	(629,591)
Tax effect of share of results of associates	**(70,451)**	(92,595)
Tax effect of expenses not deductible for tax purpose	**75,291**	127,644
Tax effect of income not taxable for tax purpose	**(65,074)**	(33,214)
Tax effect of tax loss not recognised	**477,623**	535,320
Tax effect of deductible temporary differences not recognised	**103,625**	92,808
Tax effect of utilisation of tax losses previously not recognised	**(21,387)**	(102)
Tax effect of utilisation of deductible temporary differences previously not recognised	**(5,084)**	(2,492)
Underprovision in respect of prior year	**176**	68
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(86)**	(21)
Tax expense (credit) for the year	**11,259**	(2,175)

Note: The domestic tax rate in the jurisdiction where the operations of the Group are substantially based is used.

11. 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 the ship-owner, an independent third party. SG Enterprises and SG Prosperity had been delivered to ship-owner on 25 August 2012 and 28 September 2012 respectively. Vessel chartering operations had been presented as discontinued operations during the year ended 31 December 2012.

11. DISCONTINUED OPERATIONS (continued)

The results of the vessel chartering operations for the period from 1 January 2012 to 28 September 2012 were as follows:

	1 January 2012 to 28 September 2012 HK$'000
Revenue	76,312
Cost of sales	(97,140)
Other gains and losses	(39)
Administrative expenses	(8,712)
Loss before tax	(29,579)
Income tax expense	–
Loss for the period	(29,579)
Loss for the period from discontinued operations include the following:	
Auditor's remuneration	146
Staff costs	661
Release of onerous contracts	(47,200)
Exchange loss	39

During the year ended 31 December 2012, the vessel chartering operations paid HK$45 million which related to the Group's net operating cash flows, paid HK$0.1 million in respect of investing activities and received HK$36 million in respect of financing activities.

12. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**464,774**	478,724
– retirement benefits scheme contributions	**57,599**	63,763
– equity-settled share-based payment	**1,498**	2,813
	523,871	545,300
Amortisation of prepaid lease rentals	**8,534**	8,439
Depreciation of property, plant and equipment	**915,994**	831,838
Total depreciation and amortisation	**924,528**	840,277
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**–**	(787)
– change in fair value of interest rate swap contracts	**(2,276)**	(450)
– change in fair value of commodity forward contracts	**(92,997)**	(157,200)
	(95,273)	(158,437)
Auditor's remuneration	**3,323**	3,395
Cost of inventories recognised as expenses (including allowance for inventories and fair value of commodity forward contracts upon delivery)	**16,112,259**	17,526,819
Fair value of commodity forward contracts upon delivery, included in cost of sales	**253,230**	216,924
Allowance for inventories, net, included in cost of sales	**180,078**	130,571
Research and development cost recognised as expenses	**3,385**	3,309
Minimum lease payments under operating leases in respect of land and buildings	**4,193**	3,385
Rental income from investment properties under operating leases, less outgoings of HK$49,000 in 2012 (2013: Nil)	**(1,619)**	(1,359)

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the nine (2012: eleven) Directors were as follows:

	Xu Ning HK$'000	Li Shaofeng HK$'000	Zhang Wenhui HK$'000	Chen Zhouping HK$'000	Ip Tak Chuen, Edmond HK$'000	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2013 HK$'000
2013										
Fees	170	–	–	150	150	230	330	330	330	1,690
Other emoluments										
Salaries and other benefits	–	3,997	3,300	–	–	–	–	–	–	7,297
Contributions to retirement benefits schemes	–	200	165	–	–	–	–	–	–	365
Equity-settled share-based payment	–	1,498	–	–	–	–	–	–	–	1,498
Total emoluments	170	5,695	3,465	150	150	230	330	330	330	10,850

	Xu Ning HK$'000 (Note a)	Wang Qinghai HK$'000 (Note b)	Cao Zhong HK$'000 (Note c)	Li Shaofeng HK$'000	Zhang Wenhui HK$'000	Chen Zhouping HK$'000 (Note d)	Ip Tak Chuen, Edmond HK$'000	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2012 HK$'000
2012												
Fees	5	146	146	–	–	4	150	230	330	330	330	1,671
Other emoluments												
Salaries and other benefits	–	–	–	4,442	3,300	3,079	–	–	–	–	–	10,821
Contributions to retirement benefits schemes	–	–	–	222	165	154	–	–	–	–	–	541
Equity-settled share-based payment	–	–	–	2,813	–	–	–	–	–	–	–	2,813
Total emoluments	5	146	146	7,477	3,465	3,237	150	230	330	330	330	15,846

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and Chief Executive's emoluments (continued)

Notes:

(a) According to the announcement of the Company dated 20 December 2012, Mr. Xu Ning has been appointed as a Non-executive Director of the Company and the Chairman of the Board of Directors as well as a member and the chairman of the Nomination Committee effective from 21 December 2012.

(b) According to the announcement of the Company dated 20 December 2012, Mr. Wang Qinghai has resigned as a Non-executive Director of the Company effective from 21 December 2012 and has ceased to be the Chairman of the Board of Directors as well as a member and the chairman of the Nomination Committee from the same date.

(c) According to the announcement of the Company dated 20 December 2012, Mr. Cao Zhong has resigned as a Non-executive Director of the Company effective from 21 December 2012 and has ceased to be the Vice Chairman of the Board of Directors from the same date.

(d) According to the announcement of the Company dated 20 December 2012, Mr. Chen Zhouping has been re-designated from an Executive Director of the Company to a Non-executive Director of the Company effective from 21 December 2012 and has ceased to be the Deputy Managing Director and a member of the Executive Committee from the same date.

Mr. Li Shaofeng, the Managing Director of the Company, has overall chief executive responsibility for the Group's business development and day-to-day management generally and his emoluments disclosed above include those for services rendered by him as the Managing Director.

No emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2013 and 2012.

No Directors waived any emoluments in the years ended 31 December 2013 and 2012.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: three) were Directors whose emoluments are included in the disclosures in note 13(a) above. The emolument of the remaining three (2012: two) individual is as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries and other benefits	**3,360**	2,613
Contributions to retirement benefits scheme	**205**	159
Performance related incentive payments	**165**	–
	3,730	2,772

Their emoluments were within the following bands:

	2013 **No. of employees**	2012 No. of employees
HK$1,000,001 to HK$1,500,000	**3**	1
HK$1,500,001 to HK$2,000,000	**–**	1

14. DIVIDENDS

The Board of Directors did not declare dividend for the years ended 31 December 2013 and 2012.

15. LOSS PER SHARE

From continuing and discontinued operations

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

	2013	2012
	HK$'000	HK$'000
Loss		
Loss for the year attributable to owners of the Company	**(1,395,502)**	(1,947,206)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	**–**	(293)
Loss for the purpose of diluted loss per share	**(1,395,502)**	(1,947,499)

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,632,145**	8,953,306,227

For the years ended 31 December 2013 and 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.

15. LOSS PER SHARE (continued)

From continuing operations

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

	2013	2012
	HK$'000	HK$'000
Loss figures are calculated as follows:		
Loss for the year attributable to owners of the Company	**(1,395,502)**	(1,947,206)
Less:		
Loss for the period from discontinued operations	**–**	(29,579)
Loss for the purpose of basic loss per share from continuing operations	**(1,395,502)**	(1,917,627)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	**–**	(293)
Loss for the purpose of diluted loss per share from continuing operations	**(1,395,502)**	(1,917,920)

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

From discontinued operations

During the year ended 31 December 2012, basic loss per share for the discontinued operations was HK0.33 cent per share and diluted loss per share for the discontinued operations was HK0.33 cent per share, based on the loss for the period from the discontinued operations of HK$29,579,000 and the denominators detailed above for both basic and diluted loss per share.

16. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2012	41,835
Exchange adjustments	275
Additions	436
Changes in fair value recognised in profit or loss	6,617
Disposals (note 42)	(10,476)
At 31 December 2012	38,687
Exchange adjustments	962
Changes in fair value recognised in profit or loss	645
At 31 December 2013	40,294

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties located in Hong Kong at 31 December 2013 and 2012 has been arrived at on the basis of a valuation carried out on the respective dates by AA Property Services Limited, independent qualified professional valuers not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors. The fair value was determined based on the investment approach by reference to the capitalisation of the rental income receivable with due allowance for reversionary income potential. There has been no change from the valuation technique used in the prior year.

The key inputs used in valuing the investment property which is situated in Hong Kong and held under long-term lease were the monthly rental income of HK$18,000, the term rate of 3.5% and reversionary rate of 4.5%. An increase in the rental income used would result in an increase in fair value measurement of the investment property, and vice versa. An increase in the term rate used would result in a decrease in fair value measurement of the investment property, and vice versa. An increase in the reversionary rate used would result in a decrease in fair value measurement of the investment property, and vice versa.

The fair value of the Group's investment properties located in the PRC at 31 December 2013 and 2012 has been arrived at on the basis of a valuation carried out on the respective dates by Hebei Jiaze Appraisal Company Limited, independent qualified professional valuers not connected with the Group. The real estate appraisers of Hebei Jiaze Appraisal Company Limited obtained the qualification given by the Ministry of Housing and Urban-Rural Development of PRC to perform real estate appraisal practices. The fair value was determined based on the income approach by reference to market evidence of capitalisation of the rental income from the properties. There has been no change from the valuation technique used in the prior year.

16. INVESTMENT PROPERTIES (continued)

The key inputs used in valuing the investment properties which are situated in the PRC and held under medium-term lease were the monthly rental income ranging from approximately RMB78,000 to RMB81,000 and discount rate of 7%. An increase in the rental income used would result in an increase in fair value measurement of the investment properties, and vice versa. An increase in the discount rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy at the reporting date are as follows:

	2013 Level 3 HK$'000	**Fair value as at 31 December 2013** HK$'000
Commercial property units located in Hong Kong	**5,100**	**5,100**
Commercial and residential property units located in PRC	**35,194**	**35,194**
	40,294	**40,294**

The fair value measurement of Group's investment properties located in HK and PRC are categorised into Level 3 as the significant inputs to the fair value measurement are unobservable.

There were no transfers into or out of Level 3 during the year. The carrying amounts of investment properties shown above are situated in:

	2013 **HK$'000**	2012 HK$'000
Hong Kong and held under long-term lease	**5,100**	5,100
The PRC and held under medium-term lease	**35,194**	33,587
	40,294	38,687

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structure HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP								
COST								
At 1 January 2012	4,105,626	66,159	131,981	10,049,696	332,709	33,097	2,021,717	16,740,985
Exchange adjustments	32,151	472	1,013	78,729	2,938	–	15,845	131,148
Additions	105,947	–	434	1,818	1,187	–	294,569	403,955
Transfer	219,265	–	1,921	1,073,355	–	–	(1,294,541)	–
Disposals	(249)	(1,395)	(5)	(58)	(318)	–	–	(2,025)
At 31 December 2012	4,462,740	65,236	135,344	11,203,540	336,516	33,097	1,037,590	17,274,063
Exchange adjustments	126,715	1,726	3,765	318,097	9,443	840	29,649	490,235
Additions	1,038	–	1,647	8,375	567	–	375,390	387,017
Transfer	46,364	–	449	176,612	703	–	(224,128)	–
Disposals	–	(472)	(146)	(994)	(1,596)	–	–	(3,208)
At 31 December 2013	4,636,857	66,490	141,059	11,705,630	345,633	33,937	1,218,501	18,148,107
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1 January 2012	647,137	42,530	71,963	3,554,464	215,600	29,683	–	4,561,377
Exchange adjustments	6,607	319	685	36,928	2,108	–	–	46,647
Provided for the year	140,696	449	12,442	636,169	40,737	1,345	–	831,838
Impairment loss recognised in profit or loss (Note)	59,865	–	–	124,229	–	–	–	184,094
Eliminated on disposals	(41)	(750)	(5)	(4)	(303)	–	–	(1,103)
At 31 December 2012	854,264	42,548	85,085	4,351,786	258,142	31,028	–	5,622,853
Exchange adjustments	24,749	1,165	2,499	134,236	7,844	800	–	171,293
Provided for the year	169,320	376	11,055	686,833	47,626	784	–	915,994
Eliminated on disposals	–	(472)	(142)	(66)	(1,423)	–	–	(2,103)
At 31 December 2013	1,048,333	43,617	98,497	5,172,789	312,189	32,612	–	6,708,037
CARRYING VALUES								
At 31 December 2013	3,588,524	22,873	42,562	6,532,841	33,444	1,325	1,218,501	11,440,070
At 31 December 2012	3,608,476	22,688	50,259	6,851,754	78,374	2,069	1,037,590	11,651,210

Note: During the year ended 31 December 2012, an impairment loss of HK$184,094,000 (2013: nil), was recognised in the profit or loss of which HK$4,500,000, HK$119,729,000 and HK$59,865,000 were allocated to steel manufacturing segment's plant and machinery, mineral exploration segment's plant and machinery and mineral exploration segment's buildings and structure. Details of the impairment assessment are set out in note 21.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The properties shown above are situated in PRC and located on land held under medium-term lease.

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings and structure	2% to 4%, or over the terms of the leases, whichever is shorter
Leasehold improvements	2.5% to 25%, or over the terms of the leases, whichever is shorter
Furniture, fixtures and equipment	12.5% to 33%
Plant and machinery	3.6% to 10%
Motor vehicles	10% to 25%
Vessels	5% to 18%

18. PREPAID LEASE RENTALS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
The Group's prepaid lease rentals comprise:		
Medium-term leasehold land outside Hong Kong	**331,799**	370,648
Analysed for reporting purposes as:		
Current asset	**7,922**	8,833
Non-current asset	**323,877**	361,815
	331,799	370,648

19. MINING ASSETS

	THE GROUP
	HK$'000
COST	
At 1 January 2012	192,461
Exchange adjustments	1,507
At 31 December 2012	193,968
Exchange adjustments	5,508
At 31 December 2013	199,476
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	7,636
Exchange adjustments	686
Impairment loss recognised during the year (Note i)	56,642
At 31 December 2012	64,964
Exchange adjustments	3,554
Impairment loss recognised during the year (Note i)	130,958
At 31 December 2013	199,476
CARRYING VALUES	
At 31 December 2013	–
At 31 December 2012	129,004

19. MINING ASSETS (continued)

Details of the Group's mining assets are as follows:

Mine	Location	Expiry date
Hongda Iron Ore Mine	Qinglong Manchu Autonomous County, Hebei Province	June 2016
Chagou Iron Ore Mine	Qinglong Manchu Autonomous County, Hebei Province	December 2013 (Note ii)

The mining activities of Hongda Iron Ore Mine commenced in September 2009 and amortisation was charged by using the units of production method. There are no mining activities of Hongda Iron Ore Mine during the year ended 31 December 2013 and 2012.

There are no mining activities of Chagou Iron Ore Mine since the acquisition of Chagou Iron Ore Mine during the year ended 31 December 2008.

The Directors are of the opinion that the expiry date of the mining assets can be extended with minimal cost.

Note i: Mining assets are included in the mineral exploration segment which is a cash generating unit ("CGU") for the purpose of impairment testing of the tangible assets ("Unit C").

During the year ended 31 December 2012, the management conducted an impairment assessment on the recoverable amount of Unit C that engages in the mineral exploration business. An impairment loss of HK$56,642,000 was recognised on the mining assets under Unit C and charged to the profit or loss.

During the year, the Directors are in opinion that it will be unlikely to recover the carrying amount of the mining assets in view of that there is no probable economic benefits generated from the mining assets and the plan for the mineral exploration is still uncertain at the end of the reporting period. The carrying amount of mining assets of HK$130,958,000 was fully impaired and was recognised in profit or loss for the year ended 31 December 2013. Details of the impairment assessment are set out in note 21.

Note ii: The Group is in the process of renewing the mining right of Chagou Iron Ore Mine and the renewal of the mining right is still in progress.

20. GOODWILL/INTANGIBLE ASSET

Goodwill

	THE GROUP HK$'000
COST	
At 1 January 2012, 31 December 2012 and 31 December 2013	218,015
IMPAIRMENT	
At 1 January 2012	72,000
Impairment loss recognised in the year	146,015
At 31 December 2012 and 31 December 2013	218,015
CARRYING VALUES	
At 31 December 2013	–
At 31 December 2012	–

Particulars regarding impairment testing on goodwill are disclosed in note 21.

Intangible asset

The Group's intangible asset represents deferred product design fees of approximately HK$10,648,000 which had been fully amortised as at 31 December 2013 and 2012.

21. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS

Impairment testing on steel manufacturing segment

For the purposes of impairment testing, the goodwill set out in note 20 has been allocated to two CGUs in the steel manufacturing business operating segment, which includes the Group's subsidiaries – Qinhuangdao Shougang Plate Mill Co., Ltd. ("Unit A") and Shouqin ("Unit B"). The carrying amounts of goodwill for these units as at 31 December 2013 and 2012 have been fully impaired.

The steel manufacturing segment includes CGUs of Units A and B for the purpose of impairment testing of goodwill.

During the year ended 31 December 2013, no impairment loss was recognised for the CGUs as the recoverable amounts of CGUs were higher than the respective carrying amounts.

21. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS (continued)

Impairment testing on steel manufacturing segment (continued)

During the year ended 31 December 2012, an impairment loss of HK$150,515,000 had been recognised for the CGUs of Units A and B as the recoverable amounts of CGUs were less than respective carrying amounts. The impairment loss was allocated to reduce the carrying amount of assets of the respective CGUs in the following order:

(a) first, to reduce the carrying amount of goodwill of HK$144,489,000 and HK$1,526,000 allocated to Unit A and Unit B respectively; and

(b) then, to reduce the property, plant and equipment of the Unit A and Unit B in total of HK$4,500,000 (as disclosed in note 17).

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amounts of the Units A and B have been determined based on a value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period and at a discount rate of 13.50% (2012: 13.50%) for both Units A and B. The cash flow of Unit A beyond the five-year period (2012: five years) are extrapolated for ten years (2012: eight years) with zero growth rate. The cash flow of Unit B beyond the five-year period (2012: five years) are extrapolated for six years (2012: eight years) with zero growth rate. The key assumptions for the value in use calculations are those regarding the estimated average useful life of identifiable assets, discount rates, growth rates and expected changes to selling prices and direct costs during the budget period which have been determined based on past performance and management's expectations for the market development. During the year ended 31 December 2012, the Group's major steel products experienced insufficient market demand due to the depression of steel industry in the PRC. As a result of weakening demand for steel products and excessive steel production capacity of steel industry, the gross margins of CGUs continued to be negative in this year and the future cash flows have been revised based on the management's expectation for the market development.

Impairment testing on mineral exploration segment

During the year ended 31 December 2013 and 2012, as the result of the unexpected unfavourable performance of mineral exploration segment, the management conducted an impairment assessment of individual segment asset. The segment assets mainly include the property, plant and equipment and mining assets. As it is not possible to estimate the recoverable amount of the property, plant and equipment and mining assets individually, the management determines the recoverable amount of Unit C, as defined in note 19 to which such assets belong. The management considers that the recoverable amount of the individual property, plant and equipment and mining assets cannot be determined when (i) the value in use of the asset cannot be estimated to be close to its fair value less costs of disposal, and (ii) the asset does not generate cash inflows that are largely independent of those from other assets. Unit C is considered as a cash generating unit for the purpose of the impairment test.

21. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS (continued)

Impairment testing on mineral exploration segment (continued)

During the year ended 31 December 2013, the management are in opinion that it will be unlikely to recover the carrying amount of the mining assets in view of that there is no probable economic benefits generated from the mining assets and the plan for the mineral exploration is still uncertain at the end of the reporting period. The carrying amount of mining assets of HK$130,958,000 is fully impaired and is recognised in profit or loss for the year.

During the year ended 31 December 2012, an impairment loss of HK$236,236,000 was recognised in the profit or loss of which HK$119,729,000 (as disclosed in note 17), HK$59,865,000 (as disclosed in note 17) and HK$56,642,000 (as disclosed in note 19) were recognised to plant and machinery, buildings and structure and mining assets of the Unit C, respectively on a pro rata basis with reference to their respective carrying amounts before impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amounts of mineral exploration segment were determined based on value in use calculation and based on certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a five-year period. The discount rates used for the value in use calculations is 15% (2012: 15%). Cash flows beyond the five-year period (2012: five years) are extrapolated for nineteen years (2012: fifteen years), which takes into account the estimated average useful life of identifiable assets and the estimated reserves of the relevant mines, using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin, such estimation is based on the management's expectations for the market development. The impairment losses in both years are mainly attributable to unfavourable industry factors such as the decrease in demand of iron ore which was resulted from the depression of iron ore trading industry in the PRC and keen competition among the mining companies and the deterioration of operating performance of mineral exploration.

22. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**3,086,800**	3,086,800
Deemed capital contribution (Note)	**1,959,705**	1,592,118
Less: Impairment loss recognised	**(1,622,970)**	(723,752)
	3,423,535	3,955,166
Amounts due from subsidiaries	**4,506,561**	4,923,692
Less: Impairment losses recognised	**(523,157)**	(462,845)
	3,983,404	4,460,847
Amounts due to subsidiaries	**515,565**	412,365

Note: Deemed capital contribution represented the imputed interest at effective interest rate on the interest-free loans provided to subsidiaries and fair value of financial guarantee given to banks in respect of banking facilities available to subsidiaries.

Amounts due from subsidiaries classified as non-current are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repayable in the next 12 months.

Amount due to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the Company's principal subsidiaries as at 31 December 2013 are set out in note 50.

23. INTERESTS/INVESTMENT IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investment in associates				
Listed in Hong Kong	**6,834,092**	6,834,092	**4,876**	4,876
Unlisted	**20,448**	20,448	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,286,706**	1,094,325	**–**	–
	8,141,246	7,948,865	**4,876**	4,876
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments (Note)	**(364,213)**	(364,213)	**–**	–
	7,777,033	7,584,652	**4,876**	4,876
Fair value of listed investments	**4,194,841**	4,395,456	**2,595**	2,719

During the year ended 31 December 2012, the Group's interest in an associate, Shougang Fushan Resources Group Limited ("Shougang Resources"), had been increased by 0.39% as Shougang Resources had repurchased its own shares and deemed acquisition resulted. This had also resulted in a gain on deemed acquisition of interests in Shougang Resources amounted to HK$17,564,000 and included in other gains and losses.

Note: The amount represents unrealised gain on disposal of available-for-sale investments to the Group's associate, Shougang Resources, which is determined by the equity interest of Shougang Resources held by the Group upon completion of the disposal of available-for-sale investments to the associate in 2009.

During the year ended 31 December 2012, Shougang Resources early adopted HKFRS 9. As at 31 December 2013 and 2012, such investments are continuously held by Shougang Resources and classified as financial assets at FVTOCI.

Such unrealised gain will be reversed upon the loss of significant influence over Shougang Resources or disposal of such investments by Shougang Resources.

Included in the cost of investment in associates is goodwill of approximately HK$2,257,169,000 (2012: HK$2,257,169,000).

23. INTERESTS/INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Shougang Resources

	2013	2012
	HK$'000	HK$'000
Current assets	**8,821,356**	8,757,144
Non-current assets	**18,049,552**	18,063,377
Current liabilities	**3,060,441**	3,815,627
Non-current liabilities	**2,151,302**	2,142,911

	2013	2012
	HK$'000	HK$'000
Revenue	**4,268,232**	5,650,590
Profit for the year	**1,299,239**	2,150,240
Other comprehensive income (expense) for the year	**297,659**	(378,630)
Total comprehensive income for the year	**1,596,898**	1,771,610
Dividends received from the associate during the year	**185,922**	263,513

23. INTERESTS/INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Shougang Resources (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Shougang Resources	21,659,165	20,861,983
Non-controlling interests	(1,731,782)	(1,638,299)
	19,927,383	19,223,684
Proportion of the Group's ownership interest in Shougang Resources	27.61%	27.61%
	5,501,950	5,307,659
Effect of fair value adjustments at acquisition	(228,325)	(202,944)
Goodwill	2,257,169	2,257,169
Share option reserve	(152,630)	(155,770)
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments	(364,213)	(364,213)
Other adjustments	(6,259)	(3,119)
Carrying amount of the Group's interest in Shougang Resources	7,007,692	6,838,782

Shougang Concord Century Holdings Limited ("Shougang Century")

	2013 HK$'000	2012 HK$'000
Current assets	1,915,756	1,669,046
Non-current assets	2,207,252	2,248,292
Current liabilities	1,645,201	1,393,092
Non-current liabilities	352,553	459,696

23. INTERESTS/INVESTMENT IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Shougang Century (continued)

	2013	2012
	HK$'000	HK$'000
Revenue	**1,857,665**	1,688,107
Loss for the year	**(16,590)**	(299,686)
Other comprehensive income for the year	**77,294**	21,835
Total comprehensive income (expense) for the year	**60,704**	(277,851)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013	2012
	HK$'000	HK$'000
Net assets of Shougang Century	**2,125,254**	2,064,550
Proportion of the Group's ownership interest in Shougang Century	**35.71%**	35.71%
	758,928	737,251
Share option reserve	**(11,456)**	(11,551)
Revaluation reserve	**(18,775)**	(14,362)
Other adjustments	**2,246**	2,340
Carrying amount of the Group's interest in Shougang Century	**730,943**	713,678

23. INTERESTS/INVESTMENT IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit and total comprehensive income	**5,224**	7,961
Aggregate carrying amount of the Group's interests in these associates	**38,398**	32,192

Details of the associates are set out in note 50.

The respective carrying amounts of the Group's investment in the listed associates are tested for impairment in entirety in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing the respective recoverable amount. The recoverable amounts of the Group's investment in the listed associates have been determined based on value in use calculations. The value in use calculations use cash flow projections of Shougang Resources and Shougang Century based on financial budgets covering a five-year period at a discount rate of 15.9% (2012: 15.9%) and discount rate of 9.97% (2012: 10.33%) for investment in Shougang Resources and Shougang Century respectively. The parameters adopted in Shougang Resources' and Shougang Century's cash flows beyond the five-year period were extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin, such estimation is based on the management's expectations for the market development.

As at 31 December 2013 and 2012, the recoverable amounts of the Group's listed associates are higher than the respective carrying amounts and thus no impairment loss is recognised.

24. EQUITY INVESTMENTS

Equity investments comprise:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in Australia, at fair value (Note a)	**9,681**	15,782
Unlisted investments:		
– PRC equity securities, at fair value (Note b)	**189,190**	176,471
Total	**198,871**	192,253

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 6.4% 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). As at 31 December 2013, the Group held approximately 5.72% (2012: 5.72%) of the enlarged issued share capital of ARH. The ARH Shares acquired was initially recognised as available-for-sale investments and the ARH Option was recognised initially as other financial asset which expired in 2010.

   On 1 January 2012, the Group has applied HKFRS 9 and the related consequential amendments in advance of their effective date 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. The fair value loss of HK$6,101,000 (2012: HK$26,446,000) is recognised as other comprehensive expense and is included in security investment reserve of the Group under HKFRS 9 during the year.

b. The unlisted PRC equity securities represent the investment in 10% equity interest of a private entity established in the PRC by Shouqin, for which the principal activities are ship building, ship repairing and retrofitting. The fair value gain of HK$7,709,000 (2012: HK$29,723,000) is recognised as other comprehensive income and is included in security investment reserve of the Group under HKFRS 9 during the year. The fair value of the unlisted equity securities as at 31 December 2012 and 31 December 2013 was measured using valuation technique with significant unobservable inputs.

25. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

THE GROUP

The balances represent deposits paid for acquisition of property, plant and equipment. Included in the amount, approximately HK$2,351,000 (2012: HK$2,286,000) was paid to the Shougang Group.

26. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Raw materials	**1,845,020**	1,807,867
Work in progress	**698,463**	808,943
Finished goods	**576,814**	641,951
	3,120,297	3,258,761

27. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Trade and bills receivables	**1,684,346**	2,124,361
Less: Allowance for doubtful debts	**(187,436)**	(141,399)
	1,496,910	1,982,962
Prepayments and deposits	**235,442**	135,073
Value added tax receivables	**363,968**	509,966
Other receivables	**1,808**	913
Less: Allowance for doubtful debts	**(8,431)**	(8,192)
	592,787	637,760
	2,089,697	2,620,722

27. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 60 days	**1,201,453**	1,615,374
61 – 90 days	**69,858**	155,462
91 – 180 days	**31,014**	88,963
181 – 365 days	**194,585**	123,163
	1,496,910	1,982,962

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of Directors, the trade and bills receivables that are not past due nor impaired were of good credit quality at the end of the reporting period.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$295,457,000 (2012: HK$367,588,000) which are past due at the reporting date but for which the Group has not provided for allowance for doubtful debts as continuous repayment was noted subsequent to the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 212 days (2012: 156 days).

27. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired.

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
61 – 90 days	**69,858**	155,462
91 – 180 days	**31,014**	88,963
181 – 365 days	**194,585**	123,163
Total	**295,457**	367,588

The Group estimates the future discounted cash flow of those receivables with whom the Group has ceased business over 365 days and considered the receivables are not recoverable based on historical experience, such receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
At 1 January	**141,399**	160,489
Impairment losses recognised on receivables	**61,377**	41,828
Amounts written off as uncollectible	**(18,020)**	(53,809)
Impairment losses reversed	**(23)**	(7,698)
Exchange adjustments	**2,703**	589
At 31 December	**187,436**	141,399

The entire balance of the allowance for doubtful debts with an aggregate amount of HK$187,436,000 (2012: HK$141,399,000) are individually impaired trade receivables, the payer of which are in severe financial difficulties.

At 31 December 2013, other receivables of the Company mainly included dividend receivable from a subsidiary of HK$100,000,000 (2012: nil).

Other receivables of the Group and the Company are unsecured, interest-free and repayable within one year from the end of the reporting period.

27a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at 31 December 2013 and 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. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2013

	Bills receivables discounted to banks with full recourse HK$'000	**Bills receivables endorsed to suppliers with full recourse HK$'000**	**Total HK$'000**
Carrying amount of bills receivables	**46,006**	**110,500**	**156,506**
Carrying amount of borrowings and trade payables	**(46,006)**	**(110,500)**	**(156,506)**

As at 31 December 2012

	Bills receivables discounted to banks with full recourse HK$'000	Bills receivables endorsed to suppliers with full recourse HK$'000	Total 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)

28. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY, AMOUNT DUE FROM AN ASSOCIATE

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 trade receivables from related companies and an aged analysis of such balances 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 are as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 60 days	**102,240**	151,834
61 – 90 days	**11,897**	11,625
91 – 180 days	**47,946**	–
1 – 2 years	**224**	395
	162,307	163,854

The Group allows a range of credit period normally not more than 60 days for sales to its related companies. In the opinion of Directors, the trade receivables from related companies that are not past due nor impaired were of good credit quality at the end of the reporting period.

Included in these trade receivables from related companies are receivables with an aggregate carrying amount of HK$60,067,000 (2012: HK$12,020,000) which are past due at the reporting date but for which the Group has not provided allowance for doubtful debts. The Group does not hold any collateral over these balances. The average age of these receivables is 125 days (2012: 82 days).

28. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY, AMOUNT DUE FROM AN ASSOCIATE (continued)

Ageing of trade receivables from related companies which are past due but not impaired are as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
61 – 90 days	**11,897**	11,625
91 – 180 days	**47,946**	–
1 – 2 years	**224**	395
Total	**60,067**	12,020

The Group estimates the future discounted cash flow of those receivables aged over two years and considered such receivables are not recoverable because based on historical experience, such receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts of trade receivables from related companies

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
At 1 January	**28,618**	28,395
Impairment losses recognised on receivables	**35**	–
Exchange adjustments	**813**	223
At 31 December	**29,466**	28,618

In determining the recoverability of trade and non-trade receivables from related companies, the Group considers any change in credit quality of the trade and non-trade receivables from the date credit was initially granted up to the financial statements approval dates. Accordingly, the Directors believe that no further provision is required in excess of the allowance for doubtful debts of trade receivables from related companies.

28. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY, AMOUNT DUE FROM AN ASSOCIATE (continued)

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:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**412,904**	284,948
91 – 180 days	**34,546**	37,832
181 – 365 days	**34,995**	11,918
1 – 2 years	**37,825**	8,342
Over 2 years	**15,823**	11,419
	536,093	354,459

The Group's amount due from (to) related companies are unsecured, interest-free and repayable on demand.

The Group's amount due from a non-controlling shareholder of a subsidiary is unsecured, interest bearing at 3.25% per annum and is repayable on demand.

The Group's amount due from an associate is unsecured, interest-free and repayable on demand.

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

As at 31 December 2013 and 2012, 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 amount due to the ultimate holding company of a shareholder are unsecured, interest-free and are repayable on demand.

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

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:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**2,123,229**	2,102,859
91 – 180 days	**1,166,292**	1,179,689
181 – 365 days	**1,456,742**	–
1 – 2 years	**145**	141
	4,746,408	3,282,689

30. OTHER FINANCIAL ASSETS/LIABILITIES

Other financial assets

	THE GROUP AND THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Commodity forward contracts with Mount Gibson Iron Limited (Note a)	**673,883**	834,116
Analysed as:		
Non-current	**477,895**	594,603
Current	**195,988**	239,513
	673,883	834,116

30. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial assets (continued)

Notes:

a. In November 2008, the Company entered into certain commodity forward contracts with Mount Gibson Iron Limited ("MGI") to purchase iron ore for which the forward price was determined with reference to Hamersley Benchmark Iron Ore Prices. In November 2010, the commodity forward contracts were revised as the Hamersley Benchmark Iron Ore Prices which were not available in the market and the iron ore forward price had then been revised to be determined with reference to Platts Iron Ore Price.

At 31 December 2013 and 2012, the major terms of the outstanding commodity forward contracts entered by the Company with MGI are as follows:

2013 and 2012

Commodity forward contracts on or after September 2011

Notional amount	Period	Forward price
Purchase approximately 80% of total production of a relevant mine ("Mine A") in Australia (Note)	01.11.2010 to the life of the relevant mine	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fines ore products per dead weight metric tonne
Purchase approximately 56% of total production of a relevant mine ("Mine B") in Australia	01.11.2010 to the life of the relevant mine	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fines ore products per dead weight metric tonne

Original commodity forward contracts prior to September 2011

Notional amount	Period	Forward price
Purchase approximately 56% of total production of two relevant mines (including Mine A and Mine B) in Australia	01.11.2010 to the lives of the relevant mines	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fines ore products per dead weight metric tonne

Notes: As per the original commodity forward contracts, the Group was entitled to purchase 80% of the 70% of the total production of Mine A and Mine B, and MGI could not enter into further sales agreements with any other customers without the consent of the Group.

Due to the demise of the Hamersley Benchmark Iron Ore Prices in 2010, MGI has sought to negotiate with each of its customer a revised pricing mechanism. However, MGI failed to reach an agreement on the revised pricing mechanism with some of its customers who in total purchase approximately 30% of the total production of Mine A. In August 2011, MGI announced that the commodity forward contracts with these customers of Mine A have ceased to be binding on these customers. As per the commodity forward contracts, when any sales agreements entered into between MGI and these customers prior to 31 October 2008 were terminated, 80% of the 30% of the total production surrendered by these customers would be taken up by the Group. Together with the 56% of the total production of Mine A originally taken by the Group, the Group will purchase 80% of the total production of Mine A from September 2011 onwards.

30. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial assets (continued)

As at 31 December 2013, the fair value of the commodity forward contracts were determined by the Directors with reference to a valuation report carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group and the fair value is approximately HK$673,883,000 (2012: HK$834,116,000). For the year ended 31 December 2013, a fair value gain of HK$92,997,000 (2012: HK$157,200,000) has been recognised in profit or loss and a fair value of approximately HK$253,230,000 (2012: HK$216,924,000), representing the fair value attributable to purchases during the year, has been included in cost of inventories upon delivery to the Group.

Discounted cashflow model is used for valuation of the commodity forward contracts. The fair value are based on certain assumptions including the risk free rate in Australia of 4.055% (2012: 3.216%), the forecasted annual production of the mines, the life of the Mine A of 8 years (2012: 10 years) and life of Mine B of 0.5 year (2012: 1 year), a range of forecasted Platts Iron Ore Index, the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China and a discount rate of 17% (2012: 17%) throughout the contracts period based on management's best estimate.

Other financial liabilities

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial guarantee contracts (Note b)	**–**	–	**1,485**	134,400
Interest rate swap contracts (Note c)	**1,660**	3,936	**1,660**	3,936
	1,660	3,936	**3,145**	138,336

Notes:

b. As at 31 December 2013, the carrying value of the Company's financial guarantee contracts amounted to HK$1,485,000 (2012: HK$134,400,000) represented the amount initially recognised at its fair value less cumulative amortisation recognised in accordance with the Company's revenue recognition policy.

The fair value of the Company's financial guarantee contracts were determined by the Directors with reference to a valuation report carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group.

The fair value of financial guarantee contracts upon recognition is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of expected loss, as a result of the default.

30. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial liabilities (continued)

c. At 31 December 2013 and 2012, the Group and the Company entered into interest rate swap contracts with bank, the major terms of the outstanding contracts as at 31 December 2013 and 2012 are as follows:

THE GROUP AND THE COMPANY

Notional amount	Period	Swaps
USD12.5 million	From 28.01.2011 to 28.07.2014	From USD1-month LIBOR to 1.525% per annum
USD12.5 million	From 18.03.2011 to 18.09.2014	From USD1-month LIBOR to 1.465% per annum

The fair value of interest rate swap contracts is calculated at the present value of the estimated future cash flows based on observable yield curves.

The interest rate swap contracts are classified as current liabilities based on the terms of contracts that the bank may terminate the contracts immediately in the bank's sole discretion.

31. RESTRICTED AND PLEDGED BANK DEPOSITS

The Group

The restricted bank deposits represent bank deposits restricted by certain banks to secure the issuance of letters of credit and pledged bank deposits represent bank deposits pledged to certain banks to secure bank borrowings. The deposits carry fixed interest ranged from 0.35% to 3.08% (2012: 0.35% to 3.05%) per annum.

The restricted deposits amounting to HK$1,036,994,000 (2012: HK$617,329,000) will be released upon the settlement of the letters of credit which will be within twelve months from the end of the reporting period and are therefore classified as current assets.

Pledged bank deposits amounting to HK$223,368,000 (2012: HK$161,672,000) represent deposits pledged to secure short-term bank borrowings and are therefore classified as current assets.

The remaining pledged bank deposits amounting to HK$84,925,000 (2012: HK$92,403,000) represented deposits pledged to secure non-current portion of bank borrowings and are classified as non-current.

31. RESTRICTED AND PLEDGED BANK DEPOSITS (continued)

The Company

The pledged bank deposits amounting to HK$127,448,000 (2012: nil) carried fixed interest rate ranged from 0.01% to 0.95% per annum and represented deposits pledged to secure short-term bank borrowings and are therefore classified as current assets.

The remaining pledged bank deposits amounting to HK$84,925,000 (2012: HK$92,403,000) carried fixed interest rate ranged from 0.01% to 1.2% (2012: 0.01% to 0.4%) per annum and represented deposits pledged to secure non-current portion of bank borrowings and are therefore classified as non-current.

32. BANK BALANCES AND CASH

The Group

The Group's bank balances and time deposits carry interest at market rates which range from 0.01% to 3.4% (2012: 0.01% to 3.5%) per annum.

The Company

The Company's bank balances and time deposits carry interest at market rates which range from 0.01% to 2.65% (2012: 0.01% to 0.56%) per annum.

33. TRADE AND BILLS PAYABLES, OTHER PAYABLES, PROVISION AND ACCRUED LIABILITIES

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**2,744,837**	2,818,279
91 – 180 days	**960,417**	527,424
181 – 365 days	**253,696**	120,582
1 – 2 years	**100,849**	70,339
Over 2 years	**14,008**	3,447
	4,073,807	3,540,071

33. TRADE AND BILLS PAYABLES, OTHER PAYABLES, PROVISION AND ACCRUED LIABILITIES (continued)

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that most of the payables are within the credit timeframe.

Included in the trade payables above are HK$110,500,000 (2012: HK$141,858,000) that has been paid by endorsed bills for which the maturity date has not yet fallen due as at the end of the reporting period.

At 31 December 2013, other payables of the Group mainly included the receipt in advance from customers of approximately HK$705,104,000 (2012: HK$515,427,000) and construction payables of approximately HK$126,943,000 (2012: HK$157,170,000). Except for the receipt in advance from customers which will be utilised when the goods are delivered and titles have passed, other payables are unsecured, interest-free and are repayable on demand.

As at 31 December 2011, provision for onerous contracts of HK$47,200,000 represented management's best estimate of the Group's leasing cost of vessels through two time charter hires, as disclosed in note 44, exceed the charter hire income of vessels expected to be received. During the year ended 31 December 2012, the amount of HK$47,200,000 is credited to profit or loss over the non-cancellable contract period before the termination of the contracts and included in cost of sales.

34. BANK BORROWINGS

Bank borrowings are repayable as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**8,739,634**	8,255,718	**1,308,730**	–
In the second year	**769,200**	411,640	**660,490**	–
In the third to fifth years inclusive	**86,874**	43,527	**86,874**	–
	9,595,708	8,710,885	**2,056,094**	–
Carrying amount of bank loans that are repayable on demand (shown under current liabilities)	**–**	2,031,757	**–**	2,031,757
	9,595,708	10,742,642	**2,056,094**	2,031,757
Less: Amount due within one year shown under current liabilities	**(8,739,634)**	(10,287,475)	**(1,308,730)**	(2,031,757)
Amount shown under non-current liabilities	**856,074**	455,167	**747,364**	–
Secured	**2,226,157**	2,484,795	**2,056,094**	2,031,757
Unsecured	**7,369,551**	8,257,847	**–**	–
	9,595,708	10,742,642	**2,056,094**	2,031,757

Included in bank borrowings as at 31 December 2013 was an amount of HK$46,006,000 (2012: HK$252,813,000) relating to advance drawn on bills discounted to banks.

The exposure of the Group's and the Company's fixed-rate borrowings are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings				
Within one year	**1,870,922**	3,787,184	**–**	–

34. BANK BORROWINGS (continued)

The exposure of the Group's and the Company's variable-rate borrowings are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-rate borrowings				
On demand or within one year	**6,868,712**	6,500,291	**1,308,730**	2,031,757
In more than one year but not more than two years	**769,200**	411,640	**660,490**	–
In more than two years but not more than five years	**86,874**	43,527	**86,874**	–
	7,724,786	6,955,458	**2,056,094**	2,031,757

The effective interest rates (which are also equal to contracted interest rates) on the Group's fixed-rate borrowings are ranged from 5.92% to 7.41% (2012: from 0.8% to 7.872%) per annum.

The variable-rate bank borrowings of approximately HK$1,710 million (2012: HK$1,817 million) which carry interest at the London Interbank Offered Rates ("LIBOR") plus a range of 1.45% to 3.5% (2012: LIBOR plus 1.45% to 3.5%) per annum, which are ranged from 1.73% to 3.78% (2012: ranged from 1.66% to 3.71%) per annum. Approximately HK$346 million (2012: HK$215 million) of the variable-rate borrowings carry interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus 3% (2012: HIBOR plus 1.7%) per annum, which is 3.21% (2012: 2.05%) per annum. The remaining variable-rate borrowings carry interest at the People's Bank of China's lending rate ("Lending Rate"), or with a 5% to 30% addition or reduction on the Lending Rate, which are ranged from 5.6% to 7.8% (2012: from 5.1% to 7.93%) per annum.

In 2013 and 2012, the Group's borrowings were secured by certain assets of the Group and are guaranteed by the ultimate holding company of a shareholder. Details are set out in notes 48 and 49.

In 2013 and 2012, the Company's borrowings were secured by certain assets of subsidiaries or bank deposits (details are set out in note 48), and certain loans are guaranteed by a wholly-owned subsidiary.

The Group's and the Company's borrowings that were denominated in currencies other than the functional currencies of the relevant group entities are set out as below:

	THE GROUP	THE COMPANY
	HK$'000	HK$'000
As at 31 December 2013	2,056,094	2,056,094
As at 31 December 2012	2,242,999	2,031,757

35. LOANS FROM ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

The Group

The amounts are unsecured, interest bearing at fixed-rates of 6% (2012: 6% to 6.56%) per annum. The amounts are repayable within twelve months from the end of the reporting period.

36. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**(39,919)**	(46,482)
Deferred tax liabilities	**39,131**	30,233
	(788)	(16,249)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation	**Fair value adjustment and revaluation of properties**	**Unrealised profit of available-for-sale investments**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP					
At 1 January 2012	21,321	24,462	(45,822)	(12,749)	(12,788)
Exchange differences	124	32	(660)	(97)	(601)
(Credit) charge to profit or loss (note 10)	(3,831)	1,075	–	(104)	(2,860)
At 31 December 2012	17,614	25,569	(46,482)	(12,950)	(16,249)
Exchange differences	449	102	6,563	(188)	6,926
(Credit) charge to profit or loss (note 10)	(3,823)	(267)	–	12,625	8,535
At 31 December 2013	14,240	25,404	(39,919)	(513)	(788)

36. DEFERRED TAX (continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$6,723 million, of which HK$380 million is subject to IRD's confirmation and HK$1,876 million is subject to SAT's confirmation (2012: HK$4,948 million of which HK$447 million was subject to IRD's confirmation and HK$1,996 million was subject to SAT's confirmation) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$2 million (2012: HK$52 million) of such losses. No deferred tax asset has been recognised in respect of the HK$6,721 million (2012: HK$4,896 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of which HK$720 million will expire in 2014, HK$859 million will expire in 2015, HK$797 million will expire in 2016, HK$1,994 million will expire in 2017 and HK$1,876 million will expire in 2018 (2012: losses of HK$761 million will expire in 2014, HK$846 million will expire in 2015, HK$786 million will expire in 2016 and HK$1,996 million will expire in 2017), while the remaining tax losses may be carried forward indefinitely. These deferred tax assets have not been recognised due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has deductible temporary differences, which mainly represents allowance for trade receivables, allowance for inventories, impairment loss recognised on property, plant and equipment and mining assets in total of approximately HK$908 million (2012: HK$506 million) and tax credit of approximately HK$64 million (2012: HK$63 million), which represents tax credit granted by the PRC Tax Authority for purchase of plants and machineries manufactured domestically in the PRC and will expire in various dates before 31 December 2014. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company

At the end of the reporting period, the Company has unused tax losses of approximately HK$87 million of which HK$80 million was subject to IRD's confirmation (2012: HK$111 million of which HK$104 million was subject to IRD's confirmation) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

37. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.20 each		
Authorised:		
At 1 January 2012	10,000,000,000	2,000,000
Increase in authorised share capital (Note a)	10,000,000,000	2,000,000
At 31 December 2012 and 31 December 2013	20,000,000,000	4,000,000
Issued and fully paid:		
At 1 January 2012 and 31 December 2012	8,953,306,227	1,790,661
Exercise of share options (Note b)	4,590,000	918
At 31 December 2013	8,957,896,227	1,791,579

Notes:

(a) On 25 May 2012, the shareholders of the Company approved the increase in the authorised share capital of the Company from HK$2,000,000,000 divided into 10,000,000,000 ordinary shares to HK$4,000,000,000 divided into 20,000,000,000 ordinary shares.

(b) During the year, a Director of the Company exercised 4,590,000 share options at exercise price of HK$0.28 per share. Therefore, 4,590,000 new shares were issued during the year ended 31 December 2013.

All new shares issued rank pari passu with the then existing issued shares of the Company in all respects.

38. SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "2002 Scheme") on 7 June 2002.

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies (as defined under the 2002 Scheme). The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Board of Directors may, at its discretion, offer Directors (including Executive and Non-executive Directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

38. SHARE OPTION SCHEMES (continued)

The exercise price in relation to each share option was determined by the Board of Directors at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK$1 as consideration for the grant of share options in accordance with the 2002 Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer. All share options, except for 4,000,000 share options granted during the year ended 31 December 2010, are fully vested as at 31 December 2013 (2012: all share options except for 8,000,000 share options granted during the year ended 31 December 2010 are fully vested).

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, were subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

The 2002 Scheme was terminated on 29 May 2012 and no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

No share option was granted or cancelled in accordance with the terms of the 2002 Scheme during the year.

The Company adopted a new share option scheme (the "2012 Scheme") on 25 May 2012.

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest. The 2012 Scheme will remain in force for a period of 10 years commencing on 25 May 2012.

38. SHARE OPTION SCHEMES (continued)

Under the 2012 Scheme, the Board of Directors may, at its discretion, offer Directors (including Executive and Non-executive Directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

The exercise price in relation to each share option will be determined by the Board of Directors at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2013 and 2012, there was no share option outstanding under the 2012 Scheme. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 895,330,622, representing approximately 10% of the shares of the Company in issue at the end of the reporting period. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

38. SHARE OPTION SCHEMES (continued)

The following tables disclose details of the share options held by Directors, employees and other eligible participants under the 2002 Scheme and movements in such holdings during the year ended 31 December 2013:

	Number of share options								
Grantees	At 1.1.2013	Granted during 2013	Exercised during 2013 (Note 1)	Lapsed during 2013 (Note 2)	At 31.12.2013	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
Directors of the Company	4,590,000	–	(4,590,000)	–	–	12.3.2003	–	12.3.2003 to 11.3.2013	0.280
	20,500,000	–	–	–	20,500,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	16,000,000	–	–	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	16,000,000	–	–	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	16,000,000	–	–	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	16,000,000	–	–	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	4,000,000	–	–	–	4,000,000	14.12.2010	–	14.12.2010 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2011	14.12.2011 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2012	14.12.2012 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2013	14.12.2013 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2014	14.12.2014 to 13.12.2017	1.180
	109,090,000	–	(4,590,000)	–	104,500,000				
Other employees of the Group	2,600,000	–	–	(1,000,000)	1,600,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	2,600,000	–	–	(1,000,000)	1,600,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	2,600,000	–	–	(1,000,000)	1,600,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	2,600,000	–	–	(1,000,000)	1,600,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	2,600,000	–	–	(1,000,000)	1,600,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	13,000,000	–	–	(5,000,000)	8,000,000				
Other eligible participants (Note 3)	23,000,000	–	–	–	23,000,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	23,000,000	–	–	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	23,000,000	–	–	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	23,000,000	–	–	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	23,000,000	–	–	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	115,000,000	–	–	–	115,000,000				
	237,090,000	–	(4,590,000)	(5,000,000)	227,500,000				
Exercisable	229,090,000				223,500,000				

Notes:

1. In respect of the share options exercised during the year, the closing price of the shares of the Company at the date of exercise was HK$0.55 per share.

2. Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the relevant grantees. The share options were lapsed due to one of the grantee resigned during the year of 2013.

3. Other eligible participants include the Group's resigned or retired employees.

38. SHARE OPTION SCHEMES (continued)

The following tables disclose details of the share options held by Directors, employees and other eligible participants under the 2002 Scheme and movements in such holdings during the year ended 31 December 2012:

	Number of share options								
Grantees	At 1.1.2012	Granted during 2012	Transferred to other category during 2012 (Note 1)	Lapsed during 2012 (Note 2)	At 31.12.2012	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
Directors of the Company	8,000,000	–	–	(8,000,000)	–	23.8.2002	–	23.8.2002 to 22.8.2012	0.295
	4,590,000	–	–	–	4,590,000	12.3.2003	–	12.3.2003 to 11.3.2013	0.280
	33,500,000	–	(13,000,000)	–	20,500,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	29,000,000	–	(13,000,000)	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	29,000,000	–	(13,000,000)	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	29,000,000	–	(13,000,000)	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	29,000,000	–	(13,000,000)	–	16,000,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	4,000,000	–	–	–	4,000,000	14.12.2010	–	14.12.2010 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2011	14.12.2011 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2012	14.12.2012 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2013	14.12.2013 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2014	14.12.2014 to 13.12.2017	1.180
	182,090,000	–	(65,000,000)	(8,000,000)	109,090,000				
Other employees of the Group	2,600,000	–	–	–	2,600,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	2,600,000	–	–	–	2,600,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	2,600,000	–	–	–	2,600,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	2,600,000	–	–	–	2,600,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	2,600,000	–	–	–	2,600,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	13,000,000	–	–	–	13,000,000				
Other eligible participants (Note 3)	50,000	–	–	(50,000)	–	23.8.2002	–	23.8.2002 to 22.8.2012	0.295
	10,000,000	–	13,000,000	–	23,000,000	20.12.2007	–	20.12.2007 to 19.12.2014	2.944
	10,000,000	–	13,000,000	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2008	20.12.2008 to 19.12.2014	2.944
	10,000,000	–	13,000,000	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2009	20.12.2009 to 19.12.2014	2.944
	10,000,000	–	13,000,000	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2010	20.12.2010 to 19.12.2014	2.944
	10,000,000	–	13,000,000	–	23,000,000	20.12.2007	20.12.2007 to 19.12.2011	20.12.2011 to 19.12.2014	2.944
	50,050,000	–	65,000,000	(50,000)	115,000,000				
	245,140,000	–	–	(8,050,000)	237,090,000				
Exercisable	233,140,000				229,090,000				

Notes:

1. The 65,000,000 share options were held by a Director of the Company who resigned as a Director of the Company during the year of 2012. In accordance with the 2002 Scheme, the 65,000,000 share options should be lapsed on the date of cessation as a Director of the Company, the Board of Directors of the Company approved the share options held by this Director remained exercisable up to the original expiring date, 19 December 2014, and such share options were reclassified from the category of "Directors of the company" to "Other eligible participants" during the year of 2012. The above share options will be lapsed upon the expiration of the exercise period on 19 December 2014.

2. The share options were lapsed during the year of 2012 due to the expiration of exercisable period on 23 August 2012.

3. Other eligible participants include the Group's resigned or retired employees.

During the year ended 31 December 2013, 4,590,000 share options under the 2002 Scheme were exercised (2012: nil).

The Group recognised the total expense of HK$1,498,000 for the year ended 31 December 2013 (2012: HK$2,813,000) in relation to share options granted by the Company.

39. RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Special capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2012	3,530,626	284,623	22,611	–	1,508,721	5,346,581
Profit for the year and total comprehensive income	–	–	–	–	54,029	54,029
Recognition of equity-settled share-based payments	–	2,813	–	–	–	2,813
Recovery of advance to a subsidiary (Note a)	–	–	–	170,000	(170,000)	–
Transfer from special capital reserve (Note b)	–	–	–	(170,000)	170,000	–
At 31 December 2012	3,530,626	287,436	22,611	–	1,562,750	5,403,423
Loss for the year and total comprehensive expense	–	–	–	–	(867,984)	(867,984)
Recognition of equity-settled share-based payments	–	1,498	–	–	–	1,498
Exercise of share options	367	–	–	–	–	367
Recovery of advance to a subsidiary (Note a)	–	–	–	101,286	(101,286)	–
Transfer from special capital reserve (Note b)	–	–	–	(101,286)	101,286	–
At 31 December 2013	3,530,993	288,934	22,611	–	694,766	4,537,304

Notes

a: Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 13 June 2005 and the subsequent order of the High Court of Hong Kong (the "Court Order") made on 1 September 2005, the entire amounts of approximately HK$1,412,855,000 and HK$1,800,000,000 standing to the credit of the Company's share premium and capital reserve account as at 31 March 2005 respectively were cancelled and eliminated against accumulated losses in accordance with Section 60 of the Hong Kong Companies Ordinance. According to the Court Order, any future recoveries in respect of certain advances to subsidiaries of Company as set out in the Court Order will be credited to special capital reserve.

During the year ended 31 December 2013, advances of the Company amounting to approximately HK$101,286,000 (2012: HK$170,000,000) were recovered from a subsidiary. Pursuant to provisos in the Court Order, such amount is credited to the special capital reserve as a result of such realisation.

b: According to the Court Order, the special capital reserve may be reduced by the amount of any increase of the Company's paid up share capital or share premium account resulting from the payment up of shares by the receipt of the new consideration and the Company shall be at liberty to transfer the amount of such reduction to the general reserves of the Company and the amount shall become available for distribution. During the year ended 31 December 2013, the Company transferred the special capital reserve of approximately HK$101,286,000 (2012: HK$170,000,000) (the "Transferred Amount") to accumulated profits. The Transferred Amount is limited to the aggregate increase in the paid up share capital and share premium account amounting to HK$3,921,368,000 (2012: HK$3,920,083,000) from the date of issuance of the Court Order till the date of transfer.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the borrowings disclosed in note 34, loans from ultimate holding company of a shareholder disclosed in note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

41. FINANCIAL INSTRUMENTS

41a. Categories of financial instruments

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**673,883**	834,116
Financial assets at amortised cost (including cash and cash equivalents)	**4,334,423**	4,618,187
Financial assets at FVTOCI	**198,871**	192,253
Financial liabilities		
Financial liabilities at FVTPL	**1,660**	3,936
Financial liabilities at amortised cost	**20,990,213**	20,072,691

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**673,883**	834,116
Financial assets at amortised cost (including cash and cash equivalents)	**4,704,958**	4,989,949
Financial liabilities		
Financial liabilities at FVTPL	**1,660**	3,936
Financial liabilities at amortised cost	**2,574,333**	2,451,009
Financial guarantee contracts	**1,485**	134,400

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, restricted bank deposits, pledged bank deposits, trade and bills receivables, other receivables, amounts due from (to) related companies, trade receivables from related companies, trade payables to related companies, loans from ultimate holding company of a shareholder, bank balances, trade payables to ultimate holding company of a shareholder, amount due from (to) ultimate holding company of a shareholder, amount due from a non-controlling shareholder of a subsidiary, amount due from an associate, trade and bills payables, other payables, bank borrowings and derivative financial instruments.

The Company's major financial instruments include amounts due from (to) subsidiaries, other receivables, pledged bank deposits, bank balances, other payables, bank borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate and interest rate fluctuations on the Group's financial performance and price fluctuations on the Group's equity instruments and available-for-sale investments. Risk management for the Group's operations is carried out under the guidance of the Executive Directors. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. Certain trade receivables, amount due from (to) related companies, bank balances, trade payables and bank borrowings of the Group are denominated in foreign currencies other than the functional currencies of the relevant group entities, which expose the Group to foreign currency risk. Approximately 26% (2012: 23%) of the Group's sales and 24% (2012: 23%) of the Group's purchases are denominated in currencies other than the functional currency of the group entity making the sale.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP			
	Liabilities		Assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**1,720,569**	2,053,544	**467,065**	783,891
HKD	**457,798**	353,999	**290,025**	190,892

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

	THE COMPANY			
	Liabilities		Assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**1,700,970**	1,820,349	**306,799**	338,993
HKD	**357,800**	218,295	**288,253**	189,907

Sensitivity analysis

The Group and the Company are mainly exposed to exchange rate fluctuations of USD and HKD against RMB.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The negative/positive number below indicates an increase/decrease in the Group's post-tax loss and increase/decrease in the Company's post-tax loss (2012: increase/decrease in the Group's post-tax loss and decrease/increase in the Company's post-tax profit) where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss for the year.

	THE GROUP					
	USD			HKD		
	2013	2012		**2013**	2012	
	HK$'000	HK$'000		**HK$'000**	HK$'000	
Impact on the result for the year	**52,334**	53,008	(i)	**7,004**	6,810	(ii)

	THE COMPANY					
	USD			HKD		
	2013	2012		**2013**	2012	
	HK$'000	HK$'000		**HK$'000**	HK$'000	
Impact on the result for the year	**58,207**	61,847	(i)	**2,904**	1,185	(ii)

(i) This is mainly attributable to the exposure on USD receivables, payables and bank borrowings outstanding at the end of reporting period.

(ii) This is mainly attributable to the exposure on HKD receivables, payables and bank borrowings outstanding at the end of reporting period.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed rate bank balances, bank borrowings (see note 34 for details of these borrowings) and loans from ultimate holding company of a shareholder (see note 35 for details of these loans).

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to balance the fair value interest rate risk and cash flow interest rate risk. The management closely monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and Lending Rate arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analyses below presents the effects on the Group's post-tax loss and the Company's post-tax loss for the year as a result of change in interest expense on variable-rate borrowings. The sensitivity to interest rate used is considered reasonable given the market forecasts available at end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period only as the Directors consider that the restricted and pledged bank deposits and bank balances, interest rate swap contracts and other non-derivative instruments may not have significant exposure to change in interest rates. For variable-rate bank borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2013 would increase/decrease by HK$59,684,000 (2012: HK$53,893,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's post-tax loss for the year ended 31 December 2013 would increase/decrease by HK$17,168,000 (2012: post-tax profit would decrease/increase by HK$16,965,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings.

The Group's and the Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(iii) Other price risk

The Group is exposed to foreign currency risk, equity and commodity prices risk through its investments in listed equity securities and commodity forward contracts to purchase iron ore.

Sensitivity analysis

The sensitivity analysis (including listed equity securities and commodity forward contracts) have been determined based on the exposure to equity and commodity prices risk by reference to the movements of the share price and commodity price quoted up till the reporting date.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis of listed equity securities

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the investments that would have affected the Group's other comprehensive income. A change of 35% (2012: 35%) in stock prices was applied at the end of the reporting period. The applied change of percentage represented management's assessment of the reasonably possible change in stock prices.

	THE GROUP Increase (decrease) in other comprehensive income	
	35% increase	**35% decrease**
	HK$'000	HK$'000
As at 31 December 2013	3,388	(3,388)
As at 31 December 2012	5,524	(5,524)

In addition, if there is a 5% increase/decrease in RMB against AUD, security investment reserve would decrease/increase by HK$484,000 (2012: decrease/increase by HK$789,000) for the Group.

Sensitivity analysis of commodity forward contracts

In addition, the Group and the Company are required to estimate the fair value of commodity forward contracts to purchase iron ore at the end of the reporting period with change in fair value to be recognised in consolidated statement of profit or loss and other comprehensive income. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in the forecasted Platts Iron Ore Index, the spread between freight rates, market interest rate and the exchange rate of RMB against USD.

The sensitivity analysis below have been determined based on the exposure to the iron ore market price risks, market interest rate risk and the risk of spread between freight rates at the reporting date.

Based on discounted cash flow analysis, if the Platts Iron Ore Index had been 5% higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$13,823,000 and the Company's loss for the year would decrease/increase by HK$13,823,000 (2012: the Group's loss would decrease/increase by HK$14,293,000 and the Company's profit would increase/decrease by HK$14,293,000) as a result of the change in fair value of commodity forward contracts to purchase iron ore.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk (continued)

Sensitivity analysis of commodity forward contracts (continued)

If the spread between the freight rates had been 5% higher/lower and all other variables were held constant, the Group's loss for the year would decrease/increase by HK$21,500,000 and the Company's loss for the year would decrease/increase by HK$21,500,000 (2012: the Group's loss would decrease/increase by HK$28,647,000 and the Company's profit would increase/decrease by HK$28,647,000) as a result of the change in fair value of commodity forward contracts.

If market interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$15,171,000 and the Company's loss for the year would increase/decrease by HK$15,171,000 (2012: the Group's loss would increase/decrease by HK$22,493,000 and the Company's profit would decrease/increase by HK$22,493,000) as a result of the change in fair value of commodity forward contracts.

In addition, if there is a 5% increase/decrease in RMB against USD and all other variables were held constant, the Group's loss for the year would increase/decrease by HK$35,462,000 and the Company's loss for the year would increase/decrease by HK$35,462,000 (2012: the Group's loss would increase/decrease by HK$43,882,000 and the Company's profit would decrease/increase by HK$43,882,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent risk as the analysis does not reflect the interdependence of variables.

Credit risk

As at 31 December 2013, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 47.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Credit risk (continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the Group has reduced credit risk on trade receivables by requesting trade deposits to be made or settlement by bank bills before delivery, especially in the steel manufacturing. The Group mainly deals with companies with a good repayment record and reputation and also has policies in place to assess the credit worthiness of customers.

The Company has limited credit risk on amounts due from subsidiaries and other financial liabilities recognised for financial guarantee contracts. Management periodically monitors the financial position of each of its subsidiaries to ensure each subsidiary is financially viable to settle the debts due to the Company and the banking facilities drawn from financial institutions. Adequate impairment losses are made for irrecoverable amounts.

The Group and the Company have limited credit risk on liquid funds as the counterparties are banks and financial institutions which are reputable and/or with high credit ratings assigned by international credit-rating agencies.

The Group and the Company do not have significant concentration of credit risk for its trade and other receivables and amounts due from subsidiaries and related companies, with exposure spread over a large number of counterparties and customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 69% (2012: 79%) of the total trade receivables as at 31 December 2013.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Liquidity risk

The Group and the Company manage their liquidity risk by ensuring they have sufficient liquid cash balances and credit facilities to meet their payment obligations as they fall due.

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. A monthly report on forecasted inflow and outflow of cash is compiled for the Directors' review. The management monitors the utilisation of bank borrowings.

The Group and the Company rely on bank borrowings and loans from ultimate holding company of a shareholder as significant sources of liquidity. As at 31 December 2013, the Group has available unutilised short-term and long-term bank loan facilities of approximately HK$1,898 million (2012: HK$2,542 million). In addition, the Directors are of the view that the banking facilities could be renewed as historical experience is such that the Group has no difficulty to obtain the renewal, and the Group is financially supported by the ultimate holding company of the major shareholder of the Company to maintain the Group's and the Company's liquidity.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following tables detail the Group's and the Company's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted net cash (inflows) and outflows on those derivatives that require net settlement and gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been derived from interest rate and foreign currency exchange rates at the end of the reporting period. The liquidity analysis for the Group's and the Company's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

		THE GROUP							
	Weighted average interest rate %	Repayable on demand or less than 3 months HK$'000	3 – 6 months HK$'000	6 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013									
Non-derivative financial liabilities									
Trade and bills payables	–	4,058,797	15,010	–	–	–	–	4,073,807	4,073,807
Other payables	–	528,077	–	–	–	–	–	528,077	528,077
Trade payables/amount due to ultimate holding company of a shareholder	–	4,972,015	–	–	–	–	–	4,972,015	4,972,015
Trade payables/amounts due to related companies	–	927,269	–	–	–	–	–	927,269	927,269
Loans from ultimate holding company of a shareholder	6	13,400	177,360	747,007	–	–	–	937,767	893,337
Bank borrowings									
– fixed rate	5.99	364,824	250,332	1,274,711	–	–	–	1,889,867	1,870,922
– variable rate	4.31	2,856,021	1,813,164	2,227,475	827,541	87,674	–	7,811,875	7,724,786
		13,720,403	2,255,866	4,249,193	827,541	87,674	–	21,140,677	20,990,213
Derivatives - net settlement									
Interest rate swap contracts									
– outflow		644	644	375	–	–	–	1,663	1,660
Derivatives - gross settlement									
Commodity forward contracts									
– outflow (Note)		802,930	802,930	1,605,860	1,814,305	5,802,526	4,112,499	14,941,050	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average interest rate	THE GROUP Repayable on demand or less than 3 months	3 – 6 months	6 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2012
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012									
Non-derivative financial liabilities									
Trade and bills payables	–	3,540,071	–	–	–	–	–	3,540,071	3,540,071
Other payables	–	523,486	–	–	–	–	–	523,486	523,486
Trade payables/amount due to ultimate holding company of a shareholder	–	3,679,559	–	–	–	–	–	3,679,559	3,679,559
Trade payables/amounts due to related companies	–	718,260	–	–	–	–	–	718,260	718,260
Loans from ultimate holding company of a shareholder	6.18	14,146	173,560	728,018	–	–	–	915,724	868,673
Bank borrowings									
– fixed rate	6.24	1,105,741	723,176	2,092,955	–	–	–	3,921,872	3,787,184
– variable rate	4.05	4,125,456	1,855,545	823,057	445,872	43,906	–	7,293,836	6,955,458
		13,706,719	2,752,281	3,644,030	445,872	43,906	–	20,592,808	20,072,691
Derivatives - net settlement									
Interest rate swap contracts									
– outflow		622	622	1,265	1,452	–	–	3,961	3,936
Derivatives - gross settlement									
Commodity forward contracts									
– outflow (Note)		939,358	939,358	1,878,717	2,280,135	4,395,791	6,492,357	16,925,716	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	THE COMPANY								
	Weighted average interest rate %	Repayable on demand or less than 3 months HK$'000	3 – 6 months HK$'000	6 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013									
Non-derivative financial liabilities									
Other payables	–	2,674	–	–	–	–	–	2,674	2,674
Amounts due to subsidiaries	–	515,565	–	–	–	–	–	515,565	515,565
Bank borrowings									
– variable rate	2.57	248,489	179,754	832,785	716,866	87,674	–	2,065,568	2,056,094
Financial guarantee contracts	–	2,398,195	–	–	–	–	–	2,398,195	1,485
		3,164,923	179,754	832,785	716,866	87,674	–	4,982,002	2,575,818
Derivatives – net settlement									
Interest rate swap contracts									
– outflow		644	644	375	–	–	–	1,663	1,660
Derivatives – gross settlement									
Commodity forward contracts									
– outflow (Note)		802,930	802,930	1,605,860	1,814,305	5,802,526	4,112,499	14,941,050	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

41. FINANCIAL INSTRUMENTS (continued)

41b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

		THE COMPANY							
	Weighted average interest rate %	Repayable on demand or less than 3 months HK$'000	3 – 6 months HK$'000	6 months to 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012									
Non-derivative financial liabilities									
Other payables	–	6,887	–	–	–	–	–	6,887	6,887
Amounts due to subsidiaries	–	412,365	–	–	–	–	–	412,365	412,365
Bank borrowings									
– variable rate	2.26	2,031,757	–	–	–	–	–	2,031,757	2,031,757
Financial guarantee contracts	–	2,606,425	–	–	–	–	–	2,606,425	134,400
		5,057,434	–	–	–	–	–	5,057,434	2,585,409
Derivatives – net settlement									
Interest rate swap contracts									
– outflow		622	622	1,265	1,452	–	–	3,961	3,936
Derivatives – gross settlement									
Commodity forward contracts									
– outflow (Note)		939,358	939,358	1,878,717	2,280,135	4,395,791	6,492,357	16,925,716	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Listed equity securities classified as equity investments designated as FVTOCI in the consolidated statement of financial position	Assets – HK$9,681,000	Level 1	Quoted bid prices in an active market
2) Interest rate swaps classified as other financial liabilities in the consolidated statement of financial position	Liabilities – HK$1,660,000	Level 2	Discounted cash flow Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
3) Commodity forward contracts classified as other financial assets in the consolidated statement of financial position	Assets – HK$673,883,000	Level 3	Discounted cash flow The key inputs are: The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of the spread, the forecasted Platts Iron Ore price, the forecasted marketing commission saving, the forecasted annual production of the mines, the lives of mines and the discount rate	The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China taking into account management's estimate with reference to research report published by financial institution (Note 1) The average growth rate of the capesize vessel freight rate and panamax vessel freight rate for Australia/China ranging from -4.68% to -7.49% and from -3.92% to -4.87% respectively taking into account management's estimate with reference to research report published by financial institution (Note 2) The forecasted Platts Iron Ore price ranging from USD80/DMT to USD108/DMT taking into account management's estimate with reference to research report published by financial institution (Note 3) The forecasted marketing commission saving is taking into account management's estimate with reference to a 3.25% on Platts iron ore IODEX 62% Fe CFR North China Price (Note 4) The forecasted annual production of the mines and the lives of the mines taking into account management's estimate with reference to the suppliers' expected annual production and ore mine reserve stated in suppliers' mineral resources and ore reserves statement as at 30 June 2013 less the actual purchase of iron ore by the Group from 1 July 2013 to 31 December 2013 (Note 5) Discount rate of 17 per cent is determined by expected rate of return of the commodity forward contracts by using a Capital Asset Pricing Model and adjusted by the specific risk premium (Note 6)

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs
4) Unlisted equity securities classified as equity investments designated as at FVTOCI in the consolidated statement of financial position	Assets – HK$189,190,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies and adjusted by discount on lack of marketability	The ratio of market capital to net book value of 1.59X is determined by the median of comparable companies as at the valuation date (Note 7) Discount for lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 20 per cent (Note 8)

Note 1: An increase in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$42,994,000.

Note 2: An increase in the average growth rate of the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the average growth rate of the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$1,046,000.

Note 3: An increase in the Platts iron ore price used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the Platts iron ore price holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$27,642,000.

Note 4: An increase in the market commission saving used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/ decrease in the market commission saving holding all other variables constant would increase/ decrease the carrying amount of the commodity forward contracts by HK$24,377,000.

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Note 5: An increase in the forecasted annual production of the mines used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the forecasted annual production of the mines holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$31,443,000.

Note 6: An increase in the discount rate to the valuation model used in isolation would result in a decrease in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the discount rate to the valuation model holding all other variables constant would decrease/increase the carrying amount of the commodity forward contracts by HK$25,400,000.

Note 7: An increase in the median ratio of market capital to net book value of comparable companies used in isolation would result in a significant increase in the fair value measurement of the unlisted equity securities, and vice versa. A 10% increase/decrease in the median ratio of market capital to net book value of comparable companies holding all other variables constant would increase/decrease the carrying amount of the unlisted equity securities by HK$18,919,000.

Note 8: An increase in the discount for the lack of marketability to the valuation model used in isolation would result in a decrease in the fair value measurement of the unlisted equity securities, and vice versa. A 10% increase/decrease in the discount for the lack of marketability to the valuation model holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK$4,730,000.

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy as at 31 December 2013

THE GROUP

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	673,883	673,883
Financial assets at FVTOCI				
Listed equity securities	9,681	–	–	9,681
Unlisted equity securities	–	–	189,190	189,190
Total	9,681	–	863,073	872,754
Financial liabilities at FVTPL				
Derivative financial liabilities	–	1,660	–	1,660

THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	673,883	673,883
Financial liabilities at FVTPL				
Derivative financial liabilities	–	1,660	–	1,660

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value hierarchy as at 31 December 2012

THE GROUP

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	834,116	834,116
Financial assets at FVTOCI				
Listed equity securities	15,782	–	–	15,782
Unlisted equity securities	–	–	176,471	176,471
Total	15,782	–	1,010,587	1,026,369
Financial liabilities at FVTPL				
Derivative financial liabilities	–	3,936	–	3,936

THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	834,116	834,116
Financial liabilities at FVTPL				
Derivative financial liabilities	–	3,936	–	3,936

There were no transfers between Level 1 and 2 during the years ended 31 December 2013 and 2012.

41. FINANCIAL INSTRUMENTS (continued)

41c. Fair value measurements of financial instruments (continued)

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity securities HK$'000	Commodity forward contracts HK$'000
At 1 January 2013	176,471	834,116
Total gains or losses:		
– to profit or loss	–	92,997
– to other comprehensive income	7,709	–
Exchange difference	5,010	–
Fair value of commodity forward contracts upon delivery	–	(253,230)
At 31 December 2013	189,190	673,883

Of the total gains or losses for the year included in profit or loss, fair value gains of approximately HK$92,997,000 relates to commodity forward contracts held at the end of the current year. Fair value gains on commodity forward contracts are included in "change in fair value of derivative financial instruments" in the consolidated statement of profit or loss and other comprehensive income.

Included in other comprehensive income is an amount of HK$7,709,000 fair value gain and HK$5,010,000 exchange gain related to unlisted equity instruments designated as at FVTOCI held at the end of the current reporting period and are reported as changes of security investment reserve and exchange reserve respectively.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

41d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has outstanding interest rate swap contracts presented as other financial liabilities in the consolidated statement of financial position which are under master netting agreements. No material impact on the amounts reported in the Group's consolidated financial statements and respective disclosures relating to the Group's master netting agreements as the amount of other financial liabilities arising from the interest rate swap contracts is insignificant.

42. 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 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.

43. MAJOR NON-CASH TRANSACTIONS

During the current year, advances drawn on bills receivables of HK$367,453,000 (2012: HK$353,462,000) are settled by the bills receivables discounted with banks.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Land and buildings	**4,193**	3,385
Vessels time charter hire	**–**	104,895
	4,193	108,280

As referred to in note 11, the vessel chartering operations has been ceased during the year ended 31 December 2012 and therefore no commitments for future minimum lease payments in respect of vessels time charter hire as at 31 December 2013 and 2012.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings	
	2013	2012
	HK$'000	HK$'000
Within one year	**3,941**	4,234
In the second to fifth years inclusive	**3,862**	6,654
	7,803	10,888

The Group leases vessels through two time charter hires. The time charter hires commenced on 26 September 1997 and with a lease period of 15 years, plus two months more or less at the Group's option. The daily rates of the time charter hires increase by USD250 every half year until December 2007, and thereafter the daily rates will increase by USD125 every half year. These operations have been discontinued on 28 September 2012 as disclosed in note 11.

The Group leases certain of its office premises in Hong Kong and the PRC under operating lease arrangements. As at 31 December 2013, leases for properties are negotiated for terms ranging from one to two years.

The Company had no non-cancellable operating lease commitments at the end of the reporting period.

44. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Minimum lease payments received under operating leases during the year are as follows:		
Investment properties, land and buildings	**1,619**	1,408
Vessels time charter hire	**–**	76,312
	1,619	77,720

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Investment properties, land and buildings	
	2013	2012
	HK$'000	HK$'000
Within one year	**216**	216
In the second to fifth years inclusive	**4,181**	5,655
	4,397	5,871

45. CAPITAL COMMITMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**223,364**	329,262

The Company had no significant commitment at the end of the reporting period.

46. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of the Group, in funds under the control of trustees. The cost charged to the profit or loss represented contributions payable to the funds by the Group at rates specified in the rules of the schemes.

In addition to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong, the Group is required to contribute to central pension schemes for certain Group's employees in the PRC based on applicable rates of monthly salary in accordance with government regulations. The only obligation of the Group with respect to the retirement benefit scheme is to make the specific contributions.

47. CONTINGENT LIABILITIES

THE GROUP

The Group had no significant contingent liabilities at the end of the reporting period.

THE COMPANY

As at 31 December 2013, the financial guarantee given to banks in respect of banking facilities available to subsidiaries of approximately HK$2,398 million (2012: HK$2,606 million), of which approximately HK$636 million (2012: HK$764 million) was utilised by subsidiaries. As at 31 December 2013, HK$1,485,000 (2012: HK$134,400,000) were recognised as other financial liabilities in the statement of financial position for such financial guarantee as disclosed in note 30.

48. PLEDGE OF ASSETS

THE GROUP

As at 31 December 2013, the following items were used to secure banking facilities granted to the Group:

(a) Pledged bank deposits amounting to HK$308,293,000 (2012: HK$254,075,000).

(b) As at 31 December 2012, pledge of the Group's plant and machinery with net book value of HK$19,450,000 (2013: nil).

(c) Pledge of the Group's prepaid lease rentals with net book value of approximately HK$102,714,000 (2012: HK$83,828,000).

(d) Pledge of 1,390,500,000 shares (2012: 1,363,500,000 shares) of the Group's listed associate with the market value of approximately HK$3,782,160,000 (2012: HK$3,885,975,000).

THE COMPANY

(a) Pledged bank deposits of approximately HK$212,373,000 (2012: HK$92,403,000).

49. RELATED PARTY DISCLOSURES

The Group is an associate of Shougang HK, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the supervision of the Beijing State-owned Assets Supervision and Administration Commission. Accordingly, the Company and the Group are significantly influenced by Shougang Group. Shougang Group is part of a larger group of companies under the PRC government. Accordingly, the Group is government related entities in accordance with HKAS 24. The transactions and balances with Shougang Group and other PRC government related entities are disclosed in note 49(I) to 49(III).

(I) Transactions with Shougang Group

	Notes	**2013** **HK$'000**	2012 HK$'000
THE GROUP			
Shougang Group			
Sales of goods by the Group	(a)	**1,608,060**	3,457,677
Purchases of raw materials by the Group	(b)	**7,055,415**	9,358,329
Lease rentals charged to the Group	(c)	**3,571**	2,868
Management fee charged to the Group	(d)	**960**	960
Purchases of spare parts by the Group	(e)	**72,533**	76,688
Management fees charged by the Group	(f)	**3,204**	3,204
Rental income charged by the Group	(g)	**151**	151
Interest charged to the Group	(h)	**53,845**	65,034
Service fees charged to the Group	(i)	**112,561**	90,406
Purchase of property, plant and equipment by the Group	(j)	**119,880**	46,230
THE COMPANY			
Shougang Group			
Management fee charged to the Company	(d)	**960**	960
Management fee charged by the Company	(f)	**3,204**	3,204

49. RELATED PARTY DISCLOSURES (continued)

(I) Transactions with Shougang Group (continued)

Notes:

(a) The Group sold steel products, iron ore and scrap materials to Shougang Group.

(b) The Group purchased raw materials from Shougang Group.

(c) The Group entered into various rental agreements with Shougang Group for renting office.

(d) Management fees were paid to Shougang HK, the Company's shareholder, for the provision of management services.

(e) The Group purchased spare parts from Shougang Group.

(f) The Group/the Company provided management and company secretarial services to Shougang Group.

(g) The Group entered into a rental agreement with Shougang International Trade (Hong Kong) Limited, which is a wholly-owned subsidiary of Shougang HK, for renting a residential apartment.

(h) The interest expenses were charged by the Shougang Group in respect of loans granted to the Group at interest rates of 6% (2012: 6% to 6.56%) per annum.

(i) Shougang Group charged the Group service fees in respect of processing, repair and maintenance and transportation services.

(j) The Group acquired property, plant and equipment from Shougang Group.

In addition, details of share options held by Directors as at 31 December 2013 were disclosed in note 38.

49. RELATED PARTY DISCLOSURES (continued)

(II) Balances with Shougang Group

Details of deposits for acquisition of property, plant and equipment with the Shougang Group are set out in note 25.

Details of balances with the Group's related companies are set out in note 28.

Details of balances with the ultimate holding company of Shougang HK are set out in notes 29 and 35.

Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group for nil consideration. At 31 December 2013, the Group has bank loans guaranteed by Shougang Corporation amounting to approximately HK$6,115,219,000 (2012: HK$5,807,736,000).

(III) Transactions/balances with other PRC government controlled entities

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(IV) Compensation of key management personnel

The remuneration of key management personnel, which represent the Directors during the year was as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**8,987**	12,492
Post employment benefits	**365**	541
Share-based payments	**1,498**	2,813
	10,850	15,846

The remuneration of key management personnel is determined by the Remuneration Committee of the Board of Directors having regard to the market practice, competitive market position and individual performance.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries at 31 December 2012 and 2013 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2013	2012	**2013**	2012	
			%	%	%	%	
Central Pro Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Cheer Source Limited	Samoa/Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Equity Dragon Assets Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Standnew Limited	British Virgin Islands/ Hong Kong	US$100 Ordinary shares	**–**	–	**100**	100	Investment holding
Profit News Investments Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Shougang Concord Steel Holdings Limited	British Virgin Islands/ Hong Kong	US$1,000 Ordinary shares	**100**	100	**–**	–	Investment holding
Shougang Concord Steel Group Limited	Hong Kong	HK$25,000,000 Ordinary shares	**–**	–	**100**	100	Investment holding
Shougang Concord Management Company Limited	Hong Kong	HK$100,000 Ordinary shares	**–**	–	**100**	100	Provision of management services

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	**2013** %	2012 %	
Shougang Concord Steel (International) Company Limited	British Virgin Islands/ Hong Kong	US$1,000 Ordinary shares	**–**	–	**100**	100	Investment holding
Shougang Concord Steel International Trading Co. Ltd.	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Trading of iron ore, coal, coke and steel products
Shougang Concord Shipping Holdings Limited	British Virgin Islands/ Hong Kong	US$641,025 Ordinary shares	**100**	100	**–**	–	Investment holding
Shougang Concord International Transport Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding and chartering of vessels
Ryegar Limited	United Kingdom/ Hong Kong	£2 Ordinary shares	**–**	–	**100**	100	Chartering of vessels
Shougang Concord Shipping Services Limited	Hong Kong	HK$2 Ordinary shares	**–**	–	**100**	100	Provision of management services
SCIT (Chartering) Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Chartering of vessels
SCIT Services Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Chartering of vessels
SCIT Trading Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100**	100	Trading of iron ore
Centralink International Limited	British Virgin Islands/ Hong Kong	US$2,000,000 Ordinary shares	**–**	–	**70**	70	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	**2013** %	2012 %	
舟山首和中轉儲運有限公司 Zhoushan Shouhe Centra-link Co., Ltd.	PRC	US$5,000,000 Registered capital	**#**	#	**#**	#	Hiring of floating cranes
Fair Union Holdings Limited	Samoa/Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Richson Limited	Samoa/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Casula Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Firstlevel Holdings Limited	Samoa/Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
秦皇島首鋼板材有限公司 Qinhuangdao Shougang Plate Mill Co., Ltd. Δ	PRC	US$86,000,000 Registered capital	**–**	–	**100**	100	Manufacture and sale of steel plates
秦皇島首秦金屬材料有限公司 Shouqin ΔΔ	PRC	RMB2,700,000,000 Registered capital	**–**	–	**76**	76	Manufacture and sale of steel and related products
Pointer Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Shougang Concord Services Limited	Hong Kong	HK$2 Ordinary shares	**100**	100	**–**	–	Provision of management services

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	2013 %	2012 %	
Huge Ever Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Froxy Investments Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Host Sun Investments Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Shine Tone Group Limited	Hong Kong	HK$100 Ordinary shares	–	–	100	100	Investment holding
Sky Choice International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Timefull Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Excel Bond Investments Limited	British Virgin Island/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Fair Gain Investments Limited	British Virgin Island/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Fine Power Group Limited	British Virgin Island/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2013 %	2012 %	**2013** %	2012 %	
Ultimate Capital Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100**	100	Investment holding
秦皇島首秦鋼材加工配送有限公司 Qinhuangdao Shouqin Steels Machining & Delivery Co., Ltd. ΔΔ	PRC	RMB300,000,000 Registered capital	**–**	–	**87.76**	87.76	Value-added services on steel products
秦皇島首秦龍匯礦業有限公司 Qinhuangdao Shouqin Longhui Mining Co., Ltd. ("Shouqin Longhui") *ΔΔΔ	PRC	RMB500,000,000 Registered capital	**–**	–	**67.84**	67.84	Mining, processing and sale of iron ore
深圳市首康國際貿易有限公司Δ	PRC	USD6,000,000 Registered capital	**–**	–	**100**	100	Trading of iron ore, coal and coke, and steel products

Zhoushan Shouhe Centra-link Co., Ltd. ("Zhoushan") is a cooperative joint venture which was established in 1993 in the PRC for a period of 30 years. The entire registered capital of Zhoushan was contributed by Centralink International Limited ("Centralink"). Centralink is a non wholly-owned subsidiary of the Company. Centralink is entitled to 90% of the net profit generated by Zhoushan but bears all losses. Upon the expiry or early termination of the tenure, all residual assets will belong to Centralink.

Δ Foreign investment enterprise established in the PRC.

ΔΔ Sino-foreign equity joint venture established in the PRC.

ΔΔΔ Limited company established in the PRC.

* For identification purpose only

None of the subsidiaries had issued any debt securities at the end of the year.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries As at 31 December 2013	As at 31 December 2012
Investment holding	Hong Kong	7	10
Provision of logistic services	PRC	2	2
		9	12

Details of the Company's principal associates at 31 December 2012 and 2013 are as follows:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2013	2012	Proportion of voting power held 2013	2012	Principal activities
Shougang Century	Incorporated	Hong Kong	PRC	Ordinary	35.71%	35.71%	35.71%	35.71%	Manufacturing of steel cords and processing and trading of copper and brass products
秦皇島首秦嘉華建材有限公司 Qinhuangdao Shouqin K. Wah Construction Materials Company Limited	Incorporated	PRC	PRC	Registered capital	22.8%	22.8%	22.8%	22.8%	Production and sales of slag powder
Shougang Resources	Incorporated	Hong Kong	PRC	Ordinary	27.61%	27.61%	27.61%	27.61%	Coking coal mining, production and sale of coking coal products and side products

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
				HK$'000	HK$'000	**HK$'000**	HK$'000
Shouqin and its subsidiary	PRC	**24%**	24%	**(421,827)**	(451,059)	**(145,064)**	273,098
Shouqin Longhui	PRC	**32.16%**	32.16%	**(127,622)**	(148,053)	**(107,323)**	24,553
Individually immaterial subsidiaries with non-controlling interests				**195**	550	**69,752**	71,933
						(182,635)	369,584

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Shouqin and its subsidiary

	2013	2012
	HK$'000	HK$'000
Current assets	**5,449,158**	5,249,972
Non-current assets	**10,152,845**	10,392,753
Current liabilities	**(16,076,641)**	(14,340,184)
Non-current liabilities	**(129,795)**	(164,632)
(Deficit) equity attributable to owners of the Company	**(459,369)**	864,811
Non-controlling interests	**(145,064)**	273,098

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Shouqin and its subsidiary (continued)

	2013 HK$'000	2012 HK$'000
Revenue	**9,765,790**	10,890,002
Expenses	**(11,523,402)**	(12,769,414)
Loss for the year	**(1,757,612)**	(1,879,412)
Loss attributable to owners of the Company	**(1,335,785)**	(1,428,353)
Loss attributable to the non-controlling interests	**(421,827)**	(451,059)
Loss for the year	**(1,757,612)**	(1,879,412)
Other comprehensive income attributable to owners of the Company	**11,603**	24,176
Other comprehensive income attributable to the non-controlling interests	**3,664**	7,635
Other comprehensive income for the year	**15,267**	31,811
Total comprehensive expense attributable to owners of the Company	**(1,324,182)**	(1,404,177)
Total comprehensive expense attributable to the non-controlling interests	**(418,163)**	(443,424)
Total comprehensive expense for the year	**(1,742,345)**	(1,847,601)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**884,995**	901,824
Net cash outflow from investing activities	**(677,030)**	(299,604)
Net cash outflow from financing activities	**(497,305)**	(602,124)
Net cash (outflow) inflow	**(289,340)**	96

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Shouqin Longhui

	2013	2012
	HK$'000	HK$'000
Current assets	**676,864**	855,737
Non-current assets	**1,415,749**	1,505,020
Current liabilities	**(2,426,327)**	(1,972,260)
Non-current liabilities	**–**	(312,150)
(Deficit) equity attributable to owners of the Company	**(226,391)**	51,794
Non-controlling interests	**(107,323)**	24,553

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Shouqin Longhui (continued)

	2013 **HK$'000**	2012 HK$'000
Revenue	**641,578**	1,543,024
Expenses	**(1,038,412)**	(2,003,388)
Loss for the year	**(396,834)**	(460,364)
Loss attributable to owners of the Company	**(269,212)**	(312,311)
Loss attributable to the non-controlling interests	**(127,622)**	(148,053)
Loss for the year	**(396,834)**	(460,364)
Other comprehensive expense attributable to owners of the Company	**(8,976)**	(1,948)
Other comprehensive expense attributable to the non-controlling interests	**(4,255)**	(923)
Other comprehensive expense for the year	**(13,231)**	(2,871)
Total comprehensive expense attributable to owners of the Company	**(278,188)**	(314,259)
Total comprehensive expense attributable to the non-controlling interests	**(131,877)**	(148,976)
Total comprehensive expense for the year	**(410,065)**	(463,235)
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**175,523**	300,122
Net cash inflow (outflow) from investing activities	**65,232**	(26,588)
Net cash outflow from financing activities	**(280,669)**	(318,005)
Net cash outflow	**(39,914)**	(44,471)

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover[1]	11,357,623	15,850,276	21,342,643	16,292,252	**15,266,361**
(Loss) profit attributable to owners of the Company[1]	71,667	499,576	152,252	(1,947,206)	**(1,395,502)**

1 These amounts included turnover and (loss) profit attributable to owners of the Company contributed by discontinued operations.

ASSETS AND LIABILITIES

	At 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	24,246,730	29,628,590	33,560,886	29,386,120	**28,568,892**
Total liabilities	(14,505,912)	(18,931,329)	(22,445,599)	(20,923,316)	**(21,949,741)**
	9,740,818	10,697,261	11,115,287	8,462,804	**6,619,151**
Equity attributable to owners of the Company	8,581,236	9,567,094	10,148,381	8,093,220	**6,801,786**
Non-controlling interests	1,159,582	1,130,167	966,906	369,584	**(182,635)**
	9,740,818	10,697,261	11,115,287	8,462,804	**6,619,151**

SUMMARY OF INVESTMENT PROPERTIES

Particulars of major investment properties held by the Group as at 31 December 2013 are as follows:

Property	Use	Group interest	Category of the lease
No. 158 Jianguo Lu, Qinhuangdao City, Hebei Province, PRC	Commercial	100%	Medium-term lease
No. 27 Zhujiang Dao, Zhong Duan, Kai Fa District, Qinhuangdao City, Hebei Province, PRC	Commercial	100%	Medium-term lease
No. 23-2-4,Xianfuli Community, Xian Feng Road, Hai Gang District, Qinhuangdao City, Hebei Province, PRC	Residential	100%	Medium-term lease
No. 15-1-11, Hongguangbeili Community, Jian She Road, Hai Gang District, Qinhuangdao City, Hebei Province, PRC	Residential	100%	Medium-term lease
No. 14-3-8, Hongguangbeili Community, Jian She Road, Hai Gang District, Qinhuangdao City, Hebei Province, PRC	Residential	100%	Medium-term lease
Flat A2 on 8th Floor, Pearl City Mansion, Nos. 22-36 Paterson Street, Causeway Bay, Hong Kong	Residential	100%	Long-term lease