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首 長 國 際 企 業 有 限 公 司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$15,266 million, down 6% from last year.

– Loss attributable to shareholders was HK$1,396 million.

– Basic loss per share was 15.58 HK cents.

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 with comparative figures for the year ended 31 December 2012. These final results have been reviewed by the Audit Committee of the Company.

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	*4*	**15,266,361**	16,215,940
Cost of sales		**(16,116,678)**	(17,534,972)
Gross loss		**(850,317)**	(1,319,032)
Other income	*5*	**65,902**	61,542
Other gains and losses	*6*	**(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	*7*	**(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	*8*	**(11,259)**	2,175
Loss for the year from continuing operations	*11*	**(1,944,756)**	(2,516,189)
Discontinued operations			
Loss for the year from discontinued operations	*9*	**–**	(29,579)
Loss for the year	*11*	**(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)

	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	*13*		
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		**40,294**	38,687
Property, plant and equipment		**11,440,070**	11,651,210
Prepaid lease rentals		**323,877**	361,815
Intangible asset		**–**	–
Mining assets		**–**	129,004
Goodwill		**–**	–
Interests in associates		**7,777,033**	7,584,652
Equity investments	*14*	**198,871**	192,253
Deferred tax assets		**39,919**	46,482
Other financial assets		**477,895**	594,603
Deposits for acquisition of property, plant and equipment		**21,062**	25,071
Pledged bank deposits		**84,925**	92,403
		20,403,946	20,716,180
CURRENT ASSETS			
Inventories		**3,120,297**	3,258,761
Trade and bills receivables	*15*	**1,496,910**	1,982,962
Trade receivables from related companies	*16*	**162,307**	163,854
Prepayments, deposits and other receivables		**592,787**	637,760
Prepaid lease rentals		**7,922**	8,833
Tax recoverable		**262**	202
Amounts due from related companies	*16*	**43,505**	23,878
Amount due from an associate		**6,731**	2,911
Amount due from a non-controlling shareholder of a subsidiary		**3,816**	3,700
Amount due from ultimate holding company of a shareholder	*17*	**7,797**	5,220
Other financial assets		**195,988**	239,513
Restricted bank deposits		**1,036,994**	617,329
Pledged bank deposits		**223,368**	161,672
Bank balances and cash		**1,266,262**	1,563,345
		8,164,946	8,669,940

	NOTES	2013 HK$'000	2012 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*18*	**4,073,807**	3,540,071
Trade payables to related companies	*16*	**536,093**	354,459
Trade payables to ultimate holding company of a shareholder	*17*	**4,746,408**	3,282,689
Other payables, provision and accrued liabilities		**1,268,691**	1,133,790
Tax payable		**178,123**	206,152
Amounts due to related companies	*16*	**391,176**	363,801
Amount due to ultimate holding company of a shareholder	*17*	**225,607**	396,870
Bank borrowings – due within one year		**8,739,634**	10,287,475
Other financial liabilities		**1,660**	3,936
Loans from ultimate holding company of a shareholder		**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
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**856,074**	455,167
Deferred tax liabilities		**39,131**	30,233
		895,205	485,400
		6,619,151	8,462,804
CAPITAL AND RESERVES			
Share capital		**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

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's major shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 48% equity interest of the Company as at 31 December 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 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK$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 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.

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.

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. 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.

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.

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.

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.

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 instruments: 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.

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. 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	2012
	HK$'000	HK$'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 9.

Segment revenue and results

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

For the year ended 31 December 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.

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)

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.

	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	(1,628,121)	(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)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain or loss from change in fair value of foreign currency forward contracts, interest rate swap contracts, gain on disposal of a subsidiary, 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

	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.

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)

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
(Reversal of) allowance for 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.

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

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

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.

5. 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

6. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
Continuing operations		
Impairment loss on property, plant and equipment	**–**	(184,094)
Impairment loss on mining assets	**(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	**–**	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 10)	**–**	15,559
	(166,582)	(386,380)

7. FINANCE COSTS

	2013	2012
	HK$'000	HK$'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.

8. 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:		
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%.

9. DISCONTINUED OPERATIONS

The Group mainly conducted the vessel chartering operations through two vessels named as SG Enterprises and SG Prosperity. During the year ended 31 December 2012, the Directors decided to cease the vessel chartering operations, which were previously included in shipping operations segment. The rental contracts of these two vessels had been terminated as agreed with 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.

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.

10. DISPOSAL OF A SUBSIDIARY

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

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

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

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

11. LOSS FOR THE YEAR

	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)

12. DIVIDENDS

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

13. 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 year 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.

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.

14. EQUITY INVESTMENTS

Equity investments comprise:

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

15. TRADE AND BILLS RECEIVABLES

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The Group allows a range of credit period to its customers normally not more than 60 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	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

15a. 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	**Bills receivables endorsed to suppliers with full recourse**	**Total**
	HK$'000	HK$'000	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	Bills receivables endorsed to suppliers with full recourse	Total
	HK$'000	HK$'000	HK$'000
Carrying amount of bills receivables	252,813	141,858	394,671
Carrying amount of borrowings and trade payables	(252,813)	(141,858)	(394,671)

16. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES

The amounts due from (to) related companies represent amounts due from (to) the members of the Shougang Group. The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days.

The trade receivables from related companies and an aged analysis of such balances net of allowance of doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	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 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:

	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.

17. 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.

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:

	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

18. TRADE AND BILLS PAYABLES

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

	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

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 6 June 2014 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014), not later than 4:30 p.m. on Tuesday, 3 June 2014 for registration.

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

In HK$ million	For the year ended 31 December **2013**	2012
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.

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%.

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

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:

In HK$ million	For the year ended 31 December 2013	2012
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)

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.

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

REVIEW OF OPERATIONS

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

HK$'000 **Operation/Entity**	**Attributable interest**	**For the year ended 31 December 2013**	2012
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)

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:

In '000 mt.	Slabs		Heavy Plates	
For the year ended 31 December	**2013**	2012	**2013**	2012
(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.

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.

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.

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.

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.

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.

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:

HK$ million	**31 December 2013**	31 December 2012
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.*

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.

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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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 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.

Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2013 annual report.

APPRECIATION

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

By Order of the Board
Shougang Concord International Enterprises Company Limited
Li Shaofeng
Managing Director

Hong Kong, 27 March 2014

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