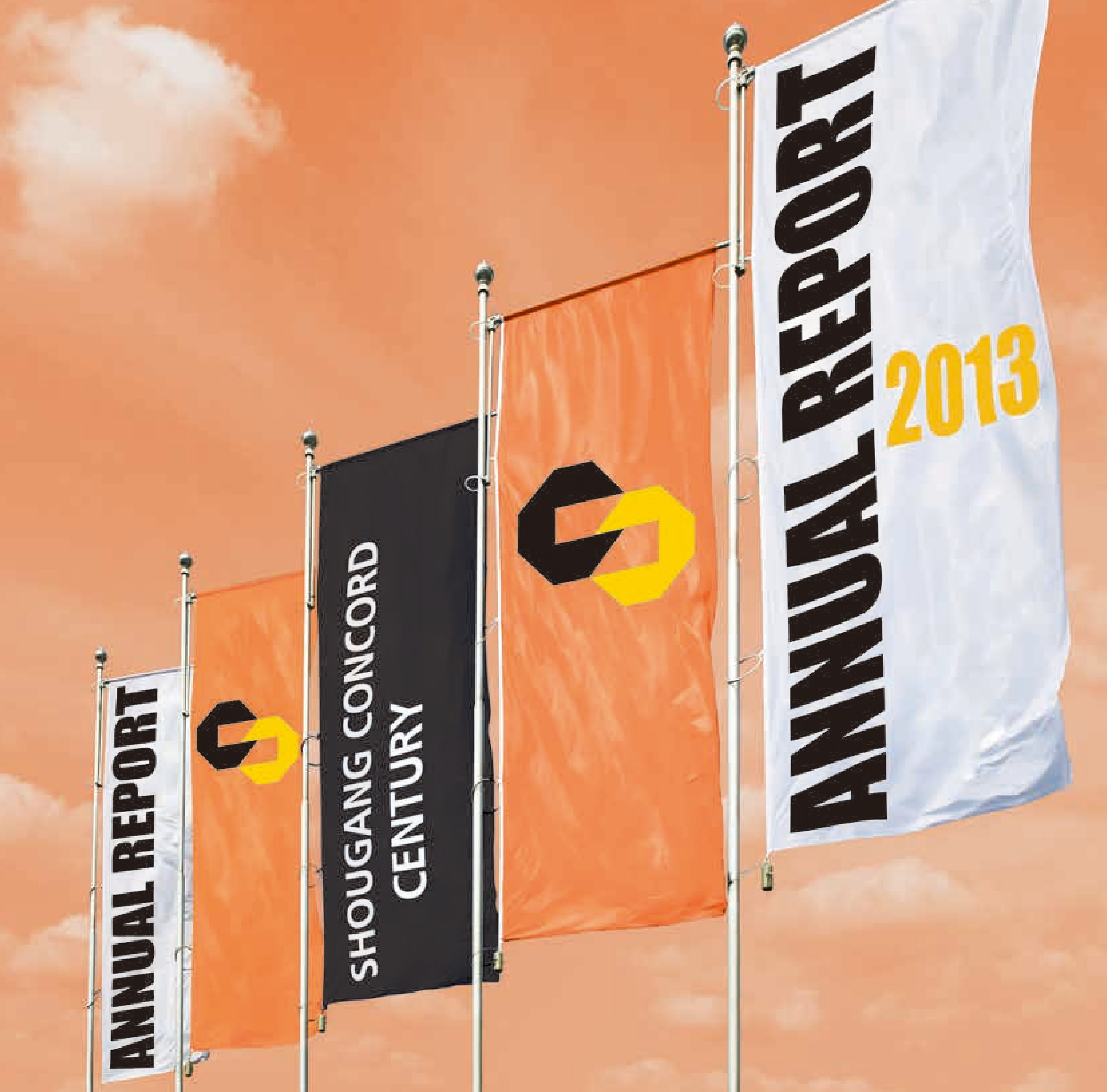
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code : 103



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CORPORATE PROFILE

Shougang Concord Century Holdings Limited ("Shougang Century"; together with its subsidiaries, collectively the "Group") has been listed on the Stock Exchange since April 1992. Shougang HK, a wholly owned subsidiary of Shougang Corporation, and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of Shougang Century.

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. sales and processing and trading of copper and brass products
3. manufacturing of sawing wires

CORPORATE'S VISION AND MISSION

Shougang Century's Vision is to:

- deliver world-class products and services to our customers
- contribute to the economic and social development of the communities in which we operate
- maximize our shareholders' return

Shougang Century's Mission is to:

- strive for a successful "Eastern" brand awareness and recognition in steel cord industry
- be an enterprise of 200,000 tonnes annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- be one of the top five manufacturers in China sawing wire industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality steel cord and sawing wire products

To learn more about Shougang Century, please visit http://www.shougangcentury.com.hk.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Shaofeng *(Chairman)*
Yang Kaiyu *(Managing Director)*
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Zhang Zhong

Non-executive Directors

Leung Shun Sang, Tony
Zhang Wenhui

Independent Non-executive Directors

Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

AUDIT COMMITTEE

Yip Kin Man, Raymond *(Chairman)*
Law, Yui Lun
Chan Chung Chun

REMUNERATION COMMITTEE

Yip Kin Man, Raymond *(Chairman)*
Li Shaofeng *(Vice Chairman)*
Leung Shun Sang, Tony
Law, Yui Lun
Chan Chung Chun

NOMINATION COMMITTEE

Li Shaofeng *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

AUTHORISED REPRESENTATIVES

Tang Cornor Kwok Kau
Chan Lai Yee

COMPANY SECRETARY

Chan Lai Yee

QUALIFIED ACCOUNTANT

Wu Siu Man

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Industrial and Commercial Bank of China (Asia) Limited

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong *(Note)*

Note:
With effect from 31 March 2014, the address will change to **Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong**.

REGISTERED OFFICE

5th Floor, Bank of East Asia Harbour View Centre
51–57 Gloucester Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

http://www.shougangcentury.com.hk

WEBSITE FOR PUBLISHING LISTING RULES RELATED ANNOUNCEMENTS AND OTHER DOCUMENTS

http://www.irasia.com/listco/hk/sccentury/

HKEx STOCK CODE

103

LISTING DATE

9 April 1992

FINANCIAL HIGHLIGHTS

HIGHLIGHTS	For the year ended 31 December 2013 HK$'000	2012 HK$'000	% Change
Operations			
Revenue	**1,857,665**	1,688,107	**+10.0**
Gross profit	**214,413**	16,469	**+1201.9**
Gross profit before allowance for inventories recognised and inventories written off	**215,875**	67,460	**+220.0**
E(L)BITDA *(Note 1)*	**221,230**	(61,382)	**N/A**
Adjusted EBITDA *(Note 2)*	**209,929**	96,661	**+117.2**
Loss for the year	**(16,590)**	(299,686)	**-94.5**
Loss per Share (basic) (HK cents)	**(0.86)**	(15.59)	**-94.5**

Notes:

1. E(L)BITDA represents earnings (loss) before finance costs, income tax, depreciation and amortisation.

2. Adjusted EBITDA represents EBITDA before (i) allowance for inventories recognised of approximately HK$1,462,000 (2012: HK$46,011,000); (ii) inventories written off of approximately HK$4,980,000 in 2012 (2013: Nil); (iii) allowance for bad and doubtful debts reversed of HK$12,763,000 (2012: recognised of HK$51,052,000); and (iv) impairment loss recognised on property, plant and equipment of HK$56,000,000 in 2012 (2013: Nil).

	At 31 December 2013 HK$'000	2012 HK$'000	% Change
Financial position			
Total assets	**4,123,008**	3,917,338	**+5.3**
Shareholders' equity	**2,125,254**	2,064,550	**+2.9**
Net asset value per Share (HK$)	**1.10**	1.07	**+2.9**

INFORMATION FOR INVESTORS

SHARE INFORMATION

Board lot size:	2,000 Shares
Shares outstanding as at the last trading day of 2013:	1,922,900,556 Shares
Market capitalization as at the last trading day of 2013:	HK$596,099,172
Closing share price as at the last trading day of 2013:	HK$0.31

Loss per Share (basic) for 2013:

Interim	:	(HK1.56 cents)
Final	:	(HK0.86 cents)

KEY DATE

2014 Annual General Meeting:	6 June 2014
Closure of Register of Members for 2014 Annual General Meeting:	5 to 6 June 2014
Announcement of 2013 Final Results:	27 March 2014

INVESTOR RELATIONS CONTACT

Address	:	5th Floor, Bank of East Asia Harbour View Centre 51–57 Gloucester Road, Wanchai, Hong Kong
Telephone	:	(852) 2527 2218
Fax	:	(852) 2861 3527
E-mail address	:	business_link@shougangcentury.com.hk ir@shougangcentury.com.hk scchl@shougangcentury.com.hk
Website	:	http://www.shougangcentury.com.hk

SHAREHOLDER ENQUIRIES

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address	:	26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong *(Note)*
Telephone	:	(852) 2980 1888
Fax	:	(852) 2810 8185
E-mail address	:	is-enquiries@hk.tricorglobal.com
Website	:	http://www.tricoris.com

Note: With effect from 31 March 2014, the address will change to **Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong**.

BUSINESS CONTACTS

Jiaxing Eastern Steel Cord Co., Ltd.

Address:	1 Dong Fang Road, Jiaxing Economic Development Zone Zhejiang Province, PRC
Postal code:	314003
Telephone:	(86) 573 8222 2790
Fax:	(86) 573 8221 3500
Website:	http://www.jesc.com.cn
E-mail address:	jesc@jesc.com.cn

Tengzhou Eastern Steel Cord Co., Ltd.

Address:	1 Dong Fang Road, Tengzhou Economic Development Zone Shandong Province, PRC
Postal code:	277500
Telephone:	(86) 632 525 2100
Fax:	(86) 632 525 2111
Website:	http://www.tesc.com.cn
E-mail address:	tesc@tesc.com.cn

Hing Cheong Metals (China & Hong Kong) Limited

Address:	Unit 2–3, G/F., TCL Tower, 8 Tai Chung Road Tsuen Wan, Hong Kong
Telephone:	(852) 2498 7800
Fax:	(852) 2498 7912
E-mail address:	hingcheong_m@ctimail.com

東莞興銅五金有限公司

Address:	San Zhong Jinlong Industrial Zone, Qingxi, Dongguan Guangdong Province, PRC
Postal code:	523660
Telephone:	(86) 769 8709 1818
Fax:	(86) 769 8709 1810
Website:	http://www.dgxtong.com

首長寶佳(上海)管理有限公司

Address:	16F., Shartex Plaza, No. 88 Zunyi Nan Road Shanghai, PRC
Postal code:	200336
Telephone:	(86) 21 6291 8806
Fax:	(86) 21 6291 8805

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Li Shaofeng, aged 47, Mr. Li holds a Bachelor Degree in Automation from University of Science and Technology Beijing. He joined Shougang Corporation in 1989. Mr. Li joined the Group in March 2000 and was appointed as deputy managing Director. He was subsequently appointed as the managing director and deputy managing director of Shougang HK, a wholly owned subsidiary of Shougang Corporation, in September 2003 and September 2007 respectively. At present, he holds directorship in certain wholly owned subsidiaries of the Company. In addition to above, he also is a non-executive director of Sinocop Resources (Holdings) Limited ("Sinocop Resources"), a company listed in Hong Kong.

Mr. Li has become the chairman and executive Director and the chairman and executive director of each of Shougang Technology (co-chairman with effect from 24 October 2013 and thereafter re-designated as non-executive director on 17 March 2014), Shougang Grand, Global Digital Creation Holdings Limited ("Global Digital"), the managing director of Shougang International and deputy managing director of China Shougang International Trade and Engineering Corporation and also re-designated as the vice chairman and managing director of Shougang HK since 10 May 2010. Besides, Mr. Li acts as the chairman and vice-chairman of the nomination committee and remuneration committee of the Company respectively.

Mr. Li was appointed as the chairman and executive director of Shougang Fushan on 20 October 2011. He also became a non-executive director of Mount Gibson Iron Limited ("MGIL"), a company listed on the Australian Securities Exchange on 23 February 2012 (Mr. Li previously acted as an alternate director to an ex-director of MGIL with effect from 7 November 2011). On 27 January 2014, he was appointed as an executive director of BeijingWest Industries International Limited (formerly known as Norstar Founders Group Limited). In all, Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

Other than his directorship disclosed above, Mr. Li does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he beneficially owns 7,652,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 13,800,000 underlying Shares attached to the share options granted by the Company. Mr. Li is entitled to receive a HK$250,000 monthly salary at present under his service contract with the Company but he has waived to receive his salaries since 2013. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Li with the Company. However, he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yang Kaiyu, aged 52, was appointed as the deputy general manager of the Company on 15 July 2008 and re-designated as the deputy managing Director and managing Director on 10 May 2010 and 1 April 2011, respectively. At present, he holds directorship in certain wholly owned subsidiaries of the Company. He holds a Bachelor Diploma in Engineering Mechanics from Shanghai Jiao Tong University and a Master Degree in Industry Management and Engineering from The Katholieke Universiteit Leuven in Belgium. He also had attended the General Management Development and Operation Management Programs organised by INSEAD, France and Creative Leadership Development Programme organised by CCL Institute, the United States. Mr. Yang has over 15 years of experience in operation management and worldwide procurement in steel wire and steel cord industries. Prior to joining the Company, he held various positions in Bekaert Group since 1993.

Other than his directorship disclosed above, Mr. Yang does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, Mr. Yang's spouse beneficially owns 3,596,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 18,000,000 underlying Shares attached to the share options granted by the Company. A service contract was entered into between Mr. Yang and the Company for a term of three years commencing from 1 January 2013. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). However, he is also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. Mr. Yang is entitled to receive a HK$220,000 monthly salary at present under his service contract with the Company. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Leung Shun Sang, Tony, aged 71, was appointed as a non-executive Director in 1995. He also serves as the vice-chairman of the nomination committee and a member of the remuneration committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Technology, Shougang Grand, Global Digital and Shougang Fushan. Mr. Leung 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 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.

Other than his directorship disclosed above, he has not previously held any position with the Group and does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. Mr. Leung does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he beneficially owns 7,652,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 12,000,000 underlying Shares attached to the share options granted by the Company. A service contract was entered into between Mr. Leung and the Company for a term of three years commencing from 1 January 2014. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$190,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zhang Wenhui, aged 58, Mr. Zhang graduated from the University of Science and Technology Beijing. Mr. Zhang was appointed as a non-executive Director on 21 December 2012. He is an executive director and the deputy managing director of Shougang International. He is also the deputy managing director of Shougang HK. Mr. Zhang acted as the non-executive director of Shougang Fushan during the period from 10 May 2010 to 19 December 2012. He 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.

Other than his directorship disclosed above, he has not previously held any position with the Group. Mr. Zhang does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he has not have any interest in the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Zhang and the Company for a term commencing from 21 December 2012 and ending on 31 December 2014. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$190,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Tang Cornor Kwok Kau, aged 53, Mr. Tang joined the Group in 1998 and was appointed as the deputy managing Director in March 2000. At present, he holds directorship in certain wholly owned subsidiaries of the Company. He holds a Bachelor and a Master Degrees in Business Administration from York University in Canada. Prior to joining the Group, Mr. Tang had held senior positions with various international investment banks. He also has over 15 years' experience in corporate and investment banking.

Other than his directorship disclosed above, Mr. Tang does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he beneficially owns 10,000,000 Shares and in which of 200,000 Shares are jointly owned by his wife within the meaning of Part XV of the SFO. In addition, he has a personal interest of 10,000,000 underlying Shares attached to the share options granted by the Company. Mr. Tang is entitled to receive a HK$165,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Tang with the Company. However, he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Zhang Zhong, aged 52, Mr. Zhang achieved a Master Degree in Sciences, Physics and an Executive Master of Business Administration from Université de Toulouse, France and Hautes Etudes Commerciale, Paris, France, respectively. He also obtained his title of Civil Engineer from Ecole des Mines de Paris, France. In addition, he had attended the Advanced Management Program organised by Wharton School, University of Pennsylvania, USA. Mr. Zhang was appointed as an executive Director on 15 December 2010. He is currently senior vice president of Sawing Wire, Worldwide and Rubber Reinforcement, North Asia in Bekaert Group. Prior to joining Bekaert, he had held senior management positions of several reputable European companies such as Schneider Electric and Saint Gobain. Mr. Zhang acted as an independent director of Guangzhou Tech-Long Packaging Machinery Co., Ltd., a limited company whose shares are listed on the Shenzhen Stock Exchange during the period from 28 November 2006 to 24 November 2012. Besides, he is an adviser to French External Trade Board and a member of Young President Organization. In all, Mr. Zhang has over 25 years of experience in operations, general management and business development.

Other than his directorship disclosed above, Mr. Zhang does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. In addition, he has not previously held any position with the Group. At the date of this annual report, he has a personal interest of 2,000,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. There is no service contract with the Company and Mr. Zhang due to his nomination as executive Director subject to the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert. However, he will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$150,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yip Kin Man, Raymond, aged 67, was appointed as the independent non-executive Director in 1993. He serves as the chairman of each of the audit committee and remuneration committee and a member of the nomination committee of the Company. Mr. Yip has also acted as the independent non-executive director of Shougang Grand since January 2007. On 27 January 2014, he was appointed as an independent non-executive director of BeijingWest Industries International Limited (formerly known as Norstar Founders Group Limited). Mr. Yip is a practising solicitor, notary public, Attesting Officer appointed by the Ministry of Justice of the PRC.

Other than the directorship disclosed above, Mr. Yip has not previously held any position with the Group, and is independent of and not connected with the Directors, chief executives and substantial Shareholders or controlling Shareholders or the subsidiaries of the Company or an associate of any of them. He does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 2,052,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Yip and the Company for a term of three years commencing from 1 January 2014. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Law, Yui Lun, aged 51, Mr. Law is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). He is also an associate member of each of the HKICPA and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Law holds a Master Degree in Business Administration from Oklahoma City University (USA). He was appointed as the independent non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company in April 2005. Apart from this, he also acted as the independent non-executive director of Anxian Yuan China Holdings Limited (formally known as China Boon Holdings Limited), a company listed in Hong Kong during the period from 10 June 2009 to 15 December 2011. At present, Mr. Law is the sole proprietor of a Certified Public Accountants firm in Hong Kong. Prior to setting up his own practice, Mr. Law had worked for the audit department of KPMG and the China Division of the Hong Kong office of Ernst & Young for a total of 8 years. He had also been a partner in a medium-sized local accounting firm in Hong Kong for over 3 years. In all, Mr. Law has substantial professional experience in the fields of auditing, accounting, corporate taxation, company liquidation and insolvency, financial advisory and management.

Other than the directorship disclosed above, Mr. Law has not previously held any position with the Group, and is independent of and not connected with the Directors, chief executives and substantial Shareholders or controlling Shareholders or the subsidiaries of the Company or an associate of any of them. He does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 2,816,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Law and the Company for a term of three years commencing from 1 January 2014. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Chan Chung Chun, aged 54, Mr. Chan is a fellow member and an associate member of the HKICPA and The Australian Society of Certified Practising Accountants, respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree in Commerce from University of New South Wales in Australia. He had worked for the audit department of Ernst & Young for about 7 years. He was appointed as the independent non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company in October 2007. Mr. Chan was also appointed as the independent non-executive director of Global Digital and Shougang Fushan on 20 June 2012 and 1 July 2012 respectively. In all, he has extensive working experience in accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is currently the deputy chairman and executive director of Sinocop Resources.

Other than the directorship disclosed above, Mr. Chan has not previously held any position with the Group, and is independent of and not connected with the Directors, chief executives and substantial Shareholders or controlling Shareholders or the subsidiaries of the Company or an associate of any of them. He does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 1,800,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Chan and the Company for a term of three years commencing from 1 January 2014. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

MAIN OPERATIONAL STRUCTURE

As at 27 March 2014

Shougang Concord Century Holdings Limited
http://www.shougangcentury.com.hk

Manufacturing of Steel Cords for Radial Tyres

- 100% — **JESC** — **Jiaxing Eastern Steel Cord Co., Ltd.** (Zhejiang, PRC) http://www.jesc.com.cn
- 100% — **TESC** — **Tengzhou Eastern Steel Cord Co., Ltd.** (Shandong, PRC) http://www.tesc.com.cn

Provision of Management and Consulting Services in Mainland (for Steel cord segment) to the Group

- 100% — **首長寶佳(上海)管理有限公司** (Shanghai, PRC)

Sales and Processing and Trading of Copper and Brass Products

- 100% — **Hing Cheong Metals (China & Hong Kong) Limited** (Hong Kong)

CHAIRMAN'S STATEMENT

Dear Shareholders,

RESULTS FOR THE YEAR

In 2013, the global economy remained unsettled and complicated due to perennial speculation on the wavering of the quantitative easing policy of the United States of America ("USA") and the concern of the dampening of monetary stimulus to the emerging markets and their respective currency. In the PRC, a slowdown in economic growth rate was recorded. These coupled with industrial overcapacity and intensified market competition resulted in continuing decline in average selling price of steel cords.

Amid such complex economic environment, we had fine-tuned our business strategy on a timely manner by strengthening cost reduction and efficiency enhancement measures, and refining our management ranging from wire rod and auxiliary production material procurement to logistic, thereby decreasing our production cost. Attributable to the increase in sales and production tonnage and the cost cutting measures aforementioned also, our loss was significantly reduced when compared to that of the previous year. The Group recorded net loss of HK$16,590,000 for the year, significantly reduced by 94.5% when compared to HK$299,686,000 for the previous year.

The revenue of Group amounted to HK$1,857,665,000 (2012: HK$1,688,107,000), representing an increase of 10.0% due to the increase in sales volume of Steel cord segment. The Group reported loss per Share of HK0.86 cents for the year when compared to HK15.59 cents for the previous year. Net asset value was HK$1.10 per Share, increased by 2.9% as compared to HK$1.07 at the end of 2012.

BUSINESS DEVELOPMENT

We embarked our utmost effort in enhancing the stability of quality of steel cord products and put more resources on research and development on high-end products catered for international customers. In addition, the research and development effort was also extended to the development of (a) new specifications of steel cords to correspond to market development and for ongoing market expansion; (b) new techniques to lower energy costs and reduce wastage in the production process; and (c) modifications to production facilities to reduce pollutant emissions for the creation of more environmental friendly manufacturing plants so as to improve overall production efficiency and reduce production costs. We believe when stringent testing procedures to test the properties of our steel cords in radial tyre employed by most international radial tyre manufacturers are completed, fruitful results can be seen for a longer term.

CHAIRMAN'S STATEMENT

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2013.

LOOKING AHEAD

According to the statistics released from China Association of Automobile Manufacturers, it is expected that the sale of automotives in the PRC will increase by 8% to 10% in 2014. Further, the Central Government has embarked on urbanization programme to improve the livelihood of the people and boost the living standards of urban and rural residents in the next decade, which leads to large investments in public infrastructure and property constructions. In addition, nowadays popular online shopping makes contribution to the expansion of the couriers and express businesses, which brings forth positive impact on transportation industry. Hence, we believe the burgeoning tyre demand both in replacement and OEM tyres will provide a better operating environment for our Steel cord and Copper and brass products segments as a result.

For the coming years, we commit to strengthen our competitive advantage for the purpose of increasing our market share and maintaining one of the top tier steel cord and sawing wire manufacturers in the PRC market and also exploring new export market successfully.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express our gratitude to the Shareholders, business partners, suppliers and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the success of the Group.

By order of the Board

Li Shaofeng
Chairman
Hong Kong
27 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business model and strategy

We have clear focused strategy to operate the businesses on behalf of our Shareholders. Our mission is to be one of the top tier steel cord and sawing wire manufacturers in the PRC, capable of consistently purveying premium quality steel cords and sawing wire products; and the evolution into a diversified metal product manufacturer with the development of a successful "Eastern" brand awareness and recognition in the PRC and worldwide markets. The ultimate goal is to maintain long term profitability, maximize return to our Shareholders under a prudent and manageable capital structure and contribute to the economic and social development of the communities in which we operate and deliver sustainable growth in stakeholders' value.

The Board is responsible for the development of business model and setting of strategies, planning and development of the Group, to drive for expansion and new business opportunities. The strategies adopted by the Board will be deployed to general manager of the Company to motivate the staff to achieve the designated business goals and financial targets under risk tolerance levels prescribed by the Board. The progress of implementation of the strategies and business goals will be reviewed and adjusted to respond to increasingly complicated external environment and further discussed with follow up action regularly at the Board and/or other management meetings throughout the years.

Review of operations

Despite the recursive speculation on the tapering of quantitative easing fiscal policy of the USA, the global economy saw a gradual recovery during the year of 2013. In the USA, its economy appeared to have recovered as indicated by the improvements in jobs and property markets; while the countries in Eurozone, their economies showed signs of recovery but still remained challenging. In the PRC, the area where the Group mainly operates, it recorded an economic growth of 7.7% for the year, which expanded at the same pace as that of year 2012. During the year, the Central Government implemented a series of reform programs to stabilize economic growth and stimulate domestic demand. On this basis, the demand for radial tyres achieved a stable growth in 2013, which in turn boosted the demand for steel cords during the year. However, the steel cord market remained competitive as the overcapacity situation had not relieved, the selling price of steel cords continued to drop, albeit at a slower pace as compared to the previous year. Notwithstanding the decline in selling price of steel cords, the Steel cord segment resumed profitability in the year as the price of raw materials dropped and other production costs also decreased attributable to the increased sales and unrelenting cost cutting measures.

Regarding the Copper and brass products segment, its performance was affected by the unsettled economic recovery in other major developed countries. The demand of copper products outside the PRC remained weak. The decline in copper price during the year also eroded profit margin of this segment. Attributable to the softened demand in regions outside the PRC and declined copper price, this segment recorded substantial increase in operating loss for the year.

In respect of the overall performance of the Group as a whole, contributed by the recovery in operating results of Steel cord segment, the Group attained significant improvement in EBITDA during the year. EBITDA of the Group amounted to HK$221,230,000 for the year, as compared to (L)BITDA of HK$61,382,000 for the previous year. Adjusted EBITDA was HK$209,929,000 for the year, significantly increased by 117.2% as compared to HK$96,661,000 for the previous year.

As a result of the increase in EBITDA, net loss of the Group reduced by 94.5% as compared to the previous year to HK$16,590,000 (2012: HK$299,686,000).

Steel cord

Overall performance

In 2013, the automobile industry in the PRC saw a higher growth as compared to the previous year. According to the information of China Association of Automobile Manufacturers, the production of new vehicles amounted to 22.1 million units in the year, increased by 14.8% over the previous year. Out of which, the production volume of passenger car and commercial vehicles increased by 16.5% and 7.6% respectively when compared with the same of the previous year. And based on the information from the Tyre Branch of China Rubber Industry Association, the production of radial tyres amounted to 475.7 million units in 2013, increased by 14.8% over 414.4 million units produced in the previous year.

The increase in production of new cars and radial tyres brought along the increase in demand for steel cord. This segment achieved a satisfactory growth in sales volume of steel cords of 17.9% over the previous year. Both our steel cord manufacturing plants, JESC and TESC accomplished lower unit production cost of steel cords in light of decline in prices of raw materials and reduction in other production costs which was attributable to enhancement in production efficiency and higher production volume. Furthermore, allowance for inventories recognised and written off reduced significantly as compared to the previous year, as we have implemented measures to enhance our production process control and inventory management since the end of the previous year. As such, this segment achieved a significant increase in gross profit of 2591.9% over the previous year to HK$206,465,000 (2012: HK$7,670,000) for the year.

In addition, the quality of trade receivables improved during the year and given our perseverance, certain bad and doubtful debts were recovered that resulted in the reversal of allowance for bad and doubtful debts of HK$12,763,000 for the year, as compared to allowance for bad and doubtful debts of HK$50,956,000 recognised in the previous year. Therefore, this segment recorded significant increase in EBITDA for the year. EBITDA of this segment amounted to HK$227,004,000 for the year, as compared to (L)BITDA of HK$32,136,000 for the previous year. Adjusted EBITDA was HK$215,703,000 for the year, significantly increased by 71.5% as compared to HK$125,811,000 for the previous year.

In corollary to the increase in EBITDA, this segment achieved turnaround from loss to profit from its operations. It recorded operating profit of HK$78,994,000 for the year, as compared to operating loss of HK$200,265,000 for the previous year.

Revenue

This segment sold 113,590 tonnes of steel cords during the year, increased by 17.9% as compared to 96,383 tonnes for the previous year. In respect of sawing wire business, this segment sold an aggregate of 970 tonnes of half products and final products of sawing wires during the year, slightly dropped by 1.6% as compared to 986 tonnes for the previous year, as we adopted a cautious sales strategy in light of the severe downturn in solar energy sector. The analysis of sales volume of this segment for the year is as follows:

	2013		2012		
	Sales volume (Tonne)	**% of total sales volume of steel cords**	Sales volume (Tonne)	% of total sales volume of steel cords	**% change**
Steel cords for:					
– truck tyres	**84,227**	**74.1**	70,597	73.2	**+19.3**
– off the road truck tyres	**4,284**	**3.8**	3,318	3.5	**+29.1**
– passenger car tyres	**25,079**	**22.1**	22,468	23.3	**+11.6**
Total for steel cords	**113,590**	**100.0**	96,383	100.0	**+17.9**
Sawing wires:					
– half product	**731**		788		**-7.2**
– final product	**239**		198		**+20.7**
Total for sawing wires	**970**		986		**-1.6**
Other steel wires	**621**		220		**+182.3**
Total	**115,181**		97,589		**+18.0**

There was no significant change in sales mix of steel cords during the year, steel cords for truck tyres remained the largest part of sales of steel cords which accounted for 74.1% of sales volume of steel cords for the year, increased by 0.9 percentage point as compared to 73.2% for the previous year.

In respect of sales of steel cords by region, the volume of export sales moderately increased by 4.3% over the previous year to 12,302 tonnes (2012: 11,794 tonnes) for the year. The volume of export sales represented 10.8% of total sales volume of the year, decreased by 1.4 percentage points as compared to 12.2% for the previous year. The breakdown of sales of steel cords is as follows:

	2013		2012		
	Sales volume (Tonne)	**% of total sales volume of steel cords**	Sales volume (Tonne)	% of total sales volume of steel cords	**% change**
PRC	**101,288**	**89.2**	84,589	87.8	**+19.7**
Other countries (mainly USA, Japan and South Korea)	**12,302**	**10.8**	11,794	12.2	**+4.3**
Total	**113,590**	**100.0**	96,383	100.0	**+17.9**

The average selling price of steel cords dropped by 4.0% as compared to the previous year, such decrease was due to the decline in raw material prices, and pricing pressure from customers and intensified market competition. Despite the drop, the pressure on downward selling price from price competition tapered off during the year. The average selling price of steel cord decreased moderately by 1.8% when compared to the second half of the previous year.

In summary, the increase in sales volume of steel cords of 17.9% brought along the increase in revenue of this segment by 14.6% over the previous year to HK$1,473,662,000 (2012: HK$1,285,893,000) for the year.

Gross profit

This segment achieved a significant increase in gross profit in 2013. Gross profit restored from HK$7,670,000 of the previous year to HK$206,465,000 for the year, which represented an increase of 2591.9%. Gross profit margin was 14.0% for the year, as compared to 0.6% for the previous year. The factors leading to the improved gross profit were as follows:

1. The increase in sales volume of steel cords of 17.9% over the previous year, as mentioned in "***Revenue***" section above;

2. The production costs of steel cords of both JESC and TESC declined as compared to that of the previous year, contributed by (i) the price of major raw material, steel wire rod dropped during the year; (ii) lowered unit fixed production cost from increased production volume; and (iii) reduction in other production costs attributable to the unremitting effort in improving our production efficiency;

3. There was substantial decrease in amount of allowance for inventories recognised during the year. The amount of allowance for inventories recognised amounted to HK$1,462,000 for the year, decreased by 96.8% as compared to HK$46,011,000 for the previous year.

Investment and other income

Investment and other income increased by 151.2% as compared to the previous year to HK$6,749,000 (2012: HK$2,687,000) for the year, as the amount of government grants increased by 303.3% over the previous year to HK$5,380,000 (2012: HK$1,334,000) for the year.

Allowance for bad and doubtful debts reversed (recognised)

There was reversal of allowance for bad and doubtful debts of HK$12,763,000 for the year, being the result of persistent effort on the management of quality of trade receivables and certain long overdue debts were recovered during the year; while an allowance for bad and doubtful debts of HK$50,956,000 was recognised in the previous year.

Distribution and selling expenses

Distribution and selling expenses amounted to HK$44,551,000 for the year, increased by 4.2% as compared to HK$42,750,000 of the previous year. The extent of increase was lower than the growth of 14.6% in revenue, reflecting our strengthened cost control measures on sales related expenses.

Administrative expenses

The amount of administrative expenses increased by 2.2% over the previous year to HK$41,227,000 (2012: HK$40,351,000) for the year.

Research and development expenses

Research and development expenses amounted to HK$53,412,000 for the year, significantly increased by 297.4% as compared to HK$13,440,000 for the previous year. Such higher increase in research and development expenses was because our two steel cord manufacturing plants deployed more resources with a view to procure long term sustainability development of the business of Steel cord segment. These costs were incurred on the development of: (i) new specifications of steel cords to correspond to market development and for ongoing market expansion; (ii) new techniques to lower energy costs and reduce wastage in the production process; and (iii) modifications to production facilities to reduce air pollutant emissions and hence to create a more environmental friendly manufacturing plants.

Copper and brass products

Overall performance

The performance of this segment for the year was mainly affected by the fickled economic recovery in the major economies of the USA and Europe; and the persistent decline in copper price during the year. The sales volume remained similar to the previous year albeit a stable growth in sales volume in the PRC. As such, this segment incurred an operating loss of HK$2,558,000 for the year, increased by 227.5% as compared to HK$781,000 for the previous year.

Revenue

The sales volume of this segment was 7,764 tonnes for the year, slightly increased by 0.2% as compared to 7,750 tonnes for the previous year. This segment stay focused on the development of PRC domestic market, sales volume in the PRC increased by 6.3% over the previous year, and its percentage to total sales volume increased from 69.6% in the previous year to 73.8% for the year. Sales to Hong Kong and other countries dropped by 13.8% as compared to the previous year, attributable to the softened demand in other major developed countries. The breakdown of sales volume by geographical location is as follows:

	2013		2012		
	Sales volume (Tonne)	**% of total sales volume**	Sales volume (Tonne)	% of total sales volume	**% change**
PRC	**5,732**	**73.8**	5,393	69.6	**+6.3**
Hong Kong and other countries	**2,032**	**26.2**	2,357	30.4	**-13.8**
Total	**7,764**	**100.0**	7,750	100.0	**+0.2**

Attributable to the decline in copper price, average selling price lowered by 3.4% as compared to that of the previous year. Due to the decline in average selling price, this segment recorded a decrease in revenue of 3.3% as compared to the previous year to HK$408,364,000 (2012: HK$422,135,000) for the year.

Gross profit

The decrease in revenue of this segment and the decline in copper price during the year affected the gross profit of this segment, which dropped by 18.0% as compared to the previous year to HK$6,639,000 (2012: HK$8,094,000) for the year.

FINANCIAL REVIEW

The Group reported net loss of HK$16,590,000 for the year, significantly reduced by 94.5% as compared to HK$299,686,000 for the previous year. EBITDA of the Group amounted to HK$221,230,000 for the year, a discernible recovery as compared to (L)BITDA of HK$61,382,000 for the previous year; while the adjusted EBITDA also significantly increased by 117.2% over the previous year to HK$209,929,000 for the year, as follows:

	2013 **HK$'000**	2012 HK$'000	**% change**
E(L)BITDA	**221,230**	(61,382)	**N/A**
Adjusted for significant allowances for and impairment loss on assets of the Group as follows:			
Allowance for inventories recognised	**1,462**	46,011	**-96.8**
Inventories written off	**–**	4,980	**-100.0**
Allowance for bad and doubtful debts (reversed) recognised	**(12,763)**	51,052	**N/A**
Impairment loss recognised in respect of property, plant and equipment	**–**	56,000	**-100.0**
Adjusted EBITDA	**209,929**	96,661	**+117.2**

Revenue

Revenue of the Group amounted to HK$1,857,665,000 (2012: HK$1,688,107,000) for the year, increased by 10.0% as compared to the previous year. The breakdown of revenue is as follows:

	2013		2012		
	HK$'000	**% of total revenue**	HK$'000	% of total revenue	**% change**
Steel cord	**1,473,662**	**79.3**	1,285,893	76.2	**+14.6**
Copper and brass products	**408,364**	**22.0**	422,135	25.0	**-3.3**
Sub-total	**1,882,026**	**101.3**	1,708,028	101.2	**+10.2**
Elimination of inter-segment sales	**(25,773)**	**(1.4)**	(20,897)	(1.2)	**+23.3**
Property rental	**1,412**	**0.1**	976	–	**+44.7**
Total	**1,857,665**	**100.0**	1,688,107	100.0	**+10.0**

Gross profit

Gross profit of the Group sharply increased by 1201.9% over the previous year to HK$214,413,000 (2012: HK$16,469,000) for the year. Gross profit margin was 11.5% for the year, increased by 10.5 percentage points as compared to 1.0% of the previous year. When excluding allowance for inventories recognised and inventories written off, gross profit margin was 11.6% for the year, increased by 7.6 percentage points as compared to 4.0% for the previous year, primarily attributable to the improved performance of Steel cord segment. The breakdown of gross profit is as follows:

	2013		2012		
	HK$'000	**Gross profit margin (%)**	HK$'000	Gross profit margin (%)	**% change**
Steel cord	**206,465**	**14.0**	7,670	0.6	**+2,591.9**
Copper and brass products	**6,639**	**1.6**	8,094	1.9	**-18.0**
Property rental	**1,309**	**92.7**	705	72.2	**+85.7**
Total	**214,413**	**11.5**	16,469	1.0	**+1,201.9**

Gross profit before allowance for inventories recognised and inventories written off:

Steel cord	**207,927**	**14.1**	58,661	4.6	**+254.5**
The Group	**215,875**	**11.6**	67,460	4.0	**+220.0**

Investment and other income

Investment and other income increased by 99.9% over the previous year to HK$7,945,000 (2012: HK$3,974,000) for the year, mainly as the amount of government grants increased by 229.9% from HK$1,631,000 in the previous year to HK$5,380,000 for the year.

Other gains and losses

The Group recorded net gain of HK$24,877,000 for the year, as compared to net loss of HK$114,199,000 for the previous year. The breakdown of other gains and losses is as follows:

	Notes	2013 HK$'000	2012 HK$'000	% change
Foreign exchange gains (losses), net	1	**7,261**	(7,680)	**N/A**
Increase in fair value of investment properties		**4,465**	4,696	**-4.9**
Allowance for bad and doubtful debts reversed (recognised)	2	**12,763**	(51,052)	**N/A**
Impairment loss recognised in respect of property, plant and equipment		**–**	(56,000)	**-100.0**
Reversal of revaluation deficits of leasehold land and buildings		**–**	753	**-100.0**
Others		**388**	(4,916)	**N/A**
Total		**24,877**	(114,199)	**N/A**

Notes:

1. The Group recorded exchange gain of HK$7,261,000 for the year as compared to exchange loss of HK$7,680,000 for the previous year, as the exchange rate of RMB recorded an appreciation of approximately 3.1% against HKD over the year, whereas RMB had a corresponding decrease of 0.2% over the previous year. Contributed by the appreciation of RMB over the year, the Group therefore recorded exchange gain on its HKD and USD denominated bank borrowings during the year.

2. There was reversal of allowance for bad and doubtful debts of HK$12,763,000 in respect of trade receivables of Steel cord segment during the year, instead of allowance for bad and doubtful debts of HK$51,052,000 recognised in the previous year.

Distribution and selling expenses and administrative expenses

Distribution and selling expenses amounted to HK$48,424,000 (2012: HK$46,553,000) for the year, represented an increase of 4.0% as compared to the previous year, while the extent of increase was lower than the increase of 10.0% in revenue.

Administrative expenses of the Group amounted to HK$74,711,000 (2012: HK$77,331,000) for the year, decreased by 3.4% as compared to the previous year. As revenue of the Group increased by 10.0% over the previous year, the ratio of administrative expenses to revenue lowered from 4.6% in the previous year to 4.0% for the year, reflecting our continuous effort on the implementation of cost control measures.

Research and development expenses

Research and development expenses of the Group amounted to HK$53,412,000 for the year, increased by 297.4% as compared to HK$13,440,000 for the previous year. These expenses were all incurred by Steel cord segment, which have been mentioned in "**Steel cord**" section above.

Segment results

The Group recorded profit of HK$76,436,000 from its business segments for the year, as compared to loss of HK$201,046,000 for the previous year. The breakdown of the operating results of the Group's business segments is as follows:

	2013	2012	
	HK$'000	HK$'000	**% change**
Steel cord	**78,994**	(200,265)	**N/A**
Copper and brass products	**(2,558)**	(781)	**+227.5**
Total	**76,436**	(201,046)	**N/A**

Finance costs

Finance costs amounted to HK$76,175,000 for the year, slightly decreased by 0.3% as compared to HK$76,419,000 for the previous year. The average amount of interest bearing borrowings increased from approximately HK$1,362,000,000 in the previous year to approximately HK$1,404,000,000 for the year. However, interest expenses decreased as our average borrowing costs dropped, attributable to the increase in proportion of bank borrowings in HKD and USD during the year, taking advantage of lower borrowing rates as compared to RMB borrowings.

Income tax expense (credit)

Income tax expense of the Group amounted to HK$11,103,000 for the year, as compared to income tax credit of HK$7,813,000 for the previous year.

There was no change in applicable tax rates of the Company and its subsidiaries during the year. For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.5% (2012: 16.5%) for the year. For the subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law (the "Implementation Regulation"), the major subsidiaries operating in the PRC are subject to a tax rate of 25% (2012: 25%) for the year. Furthermore, two subsidiaries, namely JESC and 東莞興銅 had fully enjoyed their tax concession of 50% relief from PRC Enterprise Income Tax ("EIT") in the previous year, and so they are subject to full tax rate of 25% during the year.

In addition, according to the EIT Law and Implementation Regulation and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Group is subject to withholding tax on dividends paid by subsidiaries in the PRC to holding companies in Hong Kong at a rate of 5% (2012: 5%).

The increase in income tax expense for the year was mainly attributable to the increase in profits of JESC and the higher PRC EIT rate as its 50% relief was ended at the end of the previous year.

Trade receivables

The amount of trade receivables before allowance for bad and doubtful debts amounted to HK$710,189,000 at 31 December 2013, increased by 27.3% as compared to HK$558,015,000 at 31 December 2012. During 2013, the Group had no further allowance for bad and doubtful debts, instead HK$12,763,000 of allowance for bad and doubtful debts was reversed as recovery was made under our persistent collection efforts. Such reversal was the result of the recovery of certain long overdue debts and the improvement of quality of trade receivables during the year.

In respect of the balance of the allowance for bad and doubtful debts of HK$47,374,000 still remaining at 31 December 2013, they mainly represented those made for receivables from sales of steel cord and sawing wire products (including half products and final products), follow up actions have been taken during the year and will continue after the year end to recover those receivables, including the negotiation of payment by way of assets other than cash and/or instituting legal actions against those customers to claim our payment back.

In respect of the trade receivables at 31 December 2013, approximately 55.8% has been subsequently settled by cash or bills receivable up to the date of this annual report, details are as follows:

Age	**Amount at 31 December 2013** HK$'000	**% of subsequent settlement**
0 – 90 days	521,771	51.0
91 – 180 days	115,045	81.9
Over 180 days	25,999	38.1
Total	662,815	55.8

TREASURY AND FUNDING POLICIES

The treasury and funding policies of the Group concentrates on the management of liquidity and the monitoring of financial risks, including interest rate risk, currency risk and counterparty risk. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a healthy financial position.

Surplus funds of the Group are generally placed on short term deposits denominated in HKD, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group usually comprises short to medium term loans from banks, the loan portfolio takes into consideration of the liquidity of the Group and interest costs.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders. Nonetheless, in light of the continual to our turnover, we moderately relaxed our gearing threshold in 2013 and yet, we believe such level remained secure and manageable.

There was no change in the share capital of the Company during the year; the issued share capital of the Company remained at 1,922,900,556 Shares at 31 December 2013. The net asset value of the Group was HK$2,125,254,000 at 31 December 2013, increased by 2.9% as compared to HK$2,064,550,000 at 31 December 2012. Net asset value per Share also increased by 2.9% over the end of 2012 to HK$1.10 per Share at 31 December 2013.

Although the Group reported loss of HK$16,590,000 for the year, through strengthening credit control on sales and receivables, and improving raw materials procurement and inventory management, it generated net cash inflow from operating activities of HK$21,091,000 for the year as follows:

	HK$'000
Net cash used in operating activities as per consolidated statement of cash flows	(87,264)
Add: Operating cash inflows not reflected in the consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks and matured during the year	41,067
Bills receivable endorsed to creditors of the Group to settle payable for purchase of property, plant and equipment and matured during the year	67,288
Net cash inflow from operating activities for the year	21,091

Furthermore, the Group has net cash outflow on investing activities of HK$16,045,000, primarily represented the payments for the purchase of property, plant and equipment of Steel cord segment during the year.

The Group's bank balances and cash amounted to HK$124,010,000 at 31 December 2013, decreased by 29.5% as compared to HK$175,923,000 at 31 December 2012. Total interest bearing borrowings (including bank borrowings and loan from a related company) of the Group were HK$1,421,972,000 at 31 December 2013, increased by 2.7% as compared to HK$1,385,254,000 at 31 December 2012.

At 31 December 2013, HK$1,159,177,000 of bank borrowings were floating-rate borrowings, while HK$262,795,000 of bank borrowings were collared at rates ranging from 2.41% to 7.15% per annum. The nature and maturing profile of the Group's bank borrowings at 31 December 2013 based on contracted repayment schedules were as follows:

	HK$'000	% of total bank borrowings
Due within one year or on demand:		
– Trust receipt loans	26,040	1.8
– Bank advances for discounted bills	1,272	0.1
– Working capital loans	305,274	21.5
– Current portion of medium term loans	334,960	23.6
	667,546	47.0
Medium term loans:		
– Due in the second year	607,581	42.7
– Due in the third year	150,000	10.5
	1,425,127	100.2
Unamortised loan arrangement and management fees	(3,155)	(0.2)
Total	1,421,972	100.0

Gearing ratio (calculated as total interest bearing borrowings less bank balances and cash divided by Shareholders' equity) of the Group increased from 58.6% at 31 December 2012 to 61.1% at 31 December 2013. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.16 times at 31 December 2013, lower as compared to 1.20 times at 31 December 2012. Included in current liabilities at 31 December 2013 are bank loans that are due after one year but contain a repayment on demand clause totalling HK$434,291,000 (31 December 2012: HK$42,500,000). When these bank loans are excluded, current ratio of the Group would be 1.58 times at 31 December 2013, improved as compared to corresponding 1.24 times at 31 December 2012.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. The Group's bank balances and cash are therefore mainly in RMB, HKD and USD, and under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavor to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As such, the Group increased the proportion of borrowings in HKD and USD during the year in order to reduce interest costs, and therefore at 31 December 2013, the percentage of bank borrowings of the Group that are denominated in HKD and USD rose from 39.0% at the end of 2012 to 60.2% at the end of 2013. The respective currency composition of the Group's bank balances and cash and bank borrowings was as follows:

Bank balances and cash

	31 December 2013		31 December 2012	
	HK$'000	**%**	HK$'000	%
RMB	**78,112**	**63.0**	109,050	62.0
HKD	**9,607**	**7.7**	23,682	13.4
USD	**35,926**	**29.0**	39,362	22.4
Other currencies	**365**	**0.3**	3,829	2.2
Total	**124,010**	**100.0**	175,923	100.0

Bank borrowings

	31 December 2013		31 December 2012	
	HK$'000	**%**	HK$'000	%
RMB	**565,316**	**39.8**	769,267	61.0
HKD	**767,649**	**54.0**	386,371	30.6
USD	**89,007**	**6.2**	106,289	8.4
Total	**1,421,972**	**100.0**	1,261,927	100.0

In respect of exposure to interest rate risk, even though the majority of the bank borrowings are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit or loss and cash flows of the Group, as we were of the view that interest rate would sustain at a relatively low level for at least in the coming year.

In all, we would keep monitoring the currency and interest rate composition of the Group's bank borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Group during the year amounted to HK$25,065,000, the majority of these capital expenditures represented the remaining capital expenditures on the expansion of production facilities of Steel cord segment.

The capital expenditures to be incurred in 2014 are estimated to be approximately HK$25,707,000, which are mainly for the enhancement of production facilities of Steel cord segment. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2013, the Group had a total of 2,352 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical insurance, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the year amounted to approximately HK$18,921,000. The Group had also provided training programmes or courses for the mainland staff at all levels from different departments and also for Directors and employees of the Company so as to further enhance their technical skills in production operation and management, professional skills and knowledge, respectively.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

Share options granted and remained outstanding under the 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

No share options were granted under the 2002 Scheme during the years ended 31 December 2013 and 2012. During the year ended 31 December 2013, no share options granted under the 2002 Scheme have been exercised while 148,182,000 share options lapsed.

No share options were granted, exercised, cancelled or lapsed under the 2012 Scheme during the year ended 31 December 2013.

PLEDGE OF ASSETS

At 31 December 2013, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK$10,850,000;

2. Prepaid lease payments amounted to HK$87,712,000; and

3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

Looking forward, the United States Federal Reserve's timing on the tapering of its asset purchase program still affects global economy. The economic outlook of the PRC is anticipated to remain challenging with uncertainties on the domestic fiscal and monetary policies which might affect the performance of our Steel cord and Copper and brass products segments. The oversupply situation in the steel cord industry in the PRC is likely to persist in 2014; nonetheless, the magnitude of pressure on our selling price has shown signs of reprieve. Research and development are central to our long term success in the steel cord industry. In this connection, we will continue to exert efforts:

(1) in the improvement of production technologies in order to enhance production efficiency;

(2) suiting the international customers' varying requirements and demands on high-end specifications of steel cords;

(3) accelerating the launch of new products to capture extra market share and expand the market coverage in the PRC and overseas;

(4) strengthening the quality control systems of our two plants to retain customers' loyalty and reinforce the Group's reputation in the "Eastern" brand in the PRC and overseas; and

(5) endeavouring to attain satisfactory capacity utilisation of TESC.

In addition to above, we will continue to take a cautious approach in developing of any new customers with a view to improve upon the quality of our trade receivables. Although there was reversal of allowance for bad and doubtful debts of HK$12,763,000 for the year, we will continuously take utmost effort to collect the outstanding receivables. We will work with our suppliers and bankers to further enhance our cash and working capital position.

Finally, we are confident to achieve a turnaround in profitability in 2014, we, in summary, will focus on carrying out our cost control measures, carefully expand our client base and develop potential overseas markets, and improve our cash flow position to abate any unexpected adverse incident and uncertain global market conditions.

CORPORATE GOVERNANCE REPORT

The Board is committed to practicing and achieving a high standard of corporate governance. The Board also recognizes that an effective internal control system is crucial to the long term development of the Company. In order to maintain a sound and effective internal control system, the Board periodically reviews the daily governance practices and procedures of the Company. As such, the Company has strictly complied with the relevant laws and regulations, and the rules and guidelines of regulatory bodies.

CORPORATE GOVERNANCE PRACTICES

The Company has made detailed disclosures in relation to the accounting period covered in this annual report in compliance with the requirements of Corporate Governance Report set out in the Code on Appendix 14 of the Listing Rules. Also, the Company has applied and complied with all the principles and code provisions of the Code throughout the year ended 31 December 2013, except for deviations from code provisions A.1.1 and D.1.4 of the Code which are explained under the headings "**THE BOARD**" below.

In view of the changes of statutory inside information by the Securities and Futures (Amendment) Ordinance 2012 and consequential on the Listing Rules, and also the enhancement of fairness, transparency, accountability and responsibility of the Company, and the abatement of any negative impact on the Company when certain events such as short selling of the securities, market rumours related to the Company occur, the Company had adopted two policies, namely, Contingency Plan Policy and Codes on Promotion and Advertising during the year. Furthermore, the Board had also approved and adopted the revised SCCHL Corporate Governance Code to reflect the current laws, rules and regulations during the year.

DIRECTORS' SECURITIES TRANSACTION

On 6 April 2004, the Board has adopted a SCCHL Code on terms no less exacting than the required standard of the Model Code as the Company's code of conduct and rules governing dealing by all Directors in the securities of the Company. In order to bring the SCCHL Code in line with the changes brought upon by the relevant amendments to laws, rules and regulations, the Board has also adopted the revised SCCHL Code on 4 April 2005, 7 April 2008, 1 January 2009, 22 March 2012 and 25 November 2013 respectively. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and SCCHL Code for the year ended 31 December 2013.

THE BOARD

The Board currently consists of nine members, including four executive Directors (namely Messrs. Li Shaofeng *(Chairman)*, Yang Kaiyu *(Managing Director)*, Tang Cornor Kwok Kau *(Deputy Managing Director)* and Zhang Zhong), two non-executive Directors (namely Messrs. Leung Shun Sang, Tony and Zhang Wenhui) and three independent non-executive Directors (namely Messrs. Yip Kin Man, Raymond, Law, Yui Lun and Chan Chung Chun). The Directors' biographical details are set out on pages 7 to 15 under the heading "**BIOGRAPHICAL DETAILS OF DIRECTORS**".

The major duties of the Board are set out below:

- Developing business model and business goals of the Company;
- Formulating the strategies, planning and development of the Company;
- Setting up objectives of management;
- Monitoring the performance of management;
- Ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed;
- Reviewing and approving the Company's results and operations to be disclosed on a regular basis to the public; and
- Approving the Group's operating strategies, budget and strategies in collaboration with various jurisdictions enterprises, as well as other major investments, application of funds and other substantial exercises with other enterprises.

In order to have a clear guideline in relation to the matters specifically reserved to the Board for decision, functions between the Board and the management are formalized in the Internal Control Manual. In short, the Board, which is accountable to Shareholders for the long-term performance of the Company, is responsible for directing and supervising the Company's affairs to safeguard the best interest of the Company as a whole. The affairs reserved to the Board including but not limited to the development of business models and strategies of the Company, the preparation of financial reporting and the expansion and development of any new business. The general manager motivates the management and general staff to achieve those business goals and strategies set out by the Board, applying business principles and ethics enshrined in the Internal Control Manual.

Each Director owes a fiduciary duty towards the Company. He should act in good faith and in the best interests for both the Company and Shareholders as a whole. Also, the Board has three independent non-executive Directors which represents one-third of the Board so that there is a strong element of independence in the Board. Each of the independent non-executive Directors has different professional qualification and experience in various aspects: including but not limited to (i) legal professional qualification and experience; (ii) auditing, accounting and tax professional; and (iii) financial and commercial management expertise, which has fully complied with Rules 3.10(1) and (2) of the Listing Rules. Hence, we believe that we have sufficient caliber and number for their views to carry weight.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Although one of the independent non-executive Director, Mr. Yip Kin Man, Raymond, has served the Board for more than nine years, he has not engaged in any executive management of the Group. His familiarity with the Company's business may place him in a better position to contribute independent views to the Company. Taking into consideration of his independent scope of works in the past years, there is no evidence that length of tenure is having an adverse impact on his independence. The Company therefore considers all of independent non-executive Directors (including Mr. Yip) are independent throughout the year under review. Furthermore, all Directors, including independent non-executive Directors, should be re-elected at least every three years at annual general meeting and the reasons the Board believes that the individual to be independent are set out in the relevant circulars. In addition to the above, to the best knowledge of the Directors, there is no financial, business, family or other material/relevant relationship among members of the Board.

Deviation from code provision A.1.1 of the Code

During the year under review, the Company held three regular board meetings instead of holding at least four regular board meetings a year as required under the code provision A.1.1 of the Code. However, the three regular board meetings have achieved active participation of Directors and all Directors (except one of the Directors was absent due to his health reason) had shown their high attendance rate of the three board meetings held during the year. Further, the Directors consider it is more efficient to hold board meetings to address emerging or ad hoc issues as appropriate and sufficient measures have been taken to ensure there is efficient communication among the Directors.

Deviation from code provision D.1.4 of the Code

Due to the nomination of Mr. Zhang Zhong (the executive Director) as the representative of Bekaert in accordance with the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert, Mr. Zhang does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director which therefore deviates from code provision D.1.4 of the Code.

The details of Directors' attendance at the meetings (including the board meetings, audit committee meetings, remuneration committee meeting, nomination committee meeting and annual general meeting) held during the year are set out in the following table:

Record of attendance of Directors at the meetings held during the year ("Attendance Record")

	Number of meetings attended and held				
Name of director	**Board meetings**	**Audit committee meetings**	**Remuneration committee meeting**	**Nomination committee meeting**	**Annual general meeting**
Li Shaofeng	3/3	N/A	1/1	1/1	1/1
Yang Kaiyu	3/3	N/A	N/A	N/A	1/1
Leung Shun Sang, Tony	3/3	N/A	1/1	1/1	1/1
Zhang Wenhui	3/3	N/A	N/A	N/A	1/1
Tang Cornor Kwok Kau	3/3	N/A	N/A	N/A	1/1
Zhang Zhong *(Note)*	1/3	N/A	N/A	N/A	0/1
Yip Kin Man, Raymond	2/3	3/3	1/1	1/1	1/1
Law, Yui Lun	3/3	3/3	1/1	1/1	1/1
Chan Chung Chun	3/3	3/3	1/1	1/1	1/1

Note: Due to his health reason, Mr. Zhang Zhong only attended the board meeting held on 28 August 2013.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Company will provide a comprehensive, formal and tailored induction package to each newly appointed Director to ensure that he/she is sufficiently aware of his/her duties, responsibilities and obligations as a Director under the Companies Ordinance, the Listing Rules and other regulatory requirement and ensure he/she has a proper understanding of the Company's operations and business. In compliance with the code provision A.6.5 of the Code during the year, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and as such the Directors have attended programmes or seminar(s) organised by the group companies or other qualified professionals and regulatory authorities and/or read relevant training development materials. Furthermore, in order to ensure that the contribution of all Directors to the Board remains informed and relevant, the functional departments of the Company provide with Directors relevant reading materials to keep them informed of the latest changes in the industrial and market news and legal and regulatory environment. A record of the training received by the respective Directors are kept and updated by the company secretarial department of the Company. Directors have disclosed to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments and the time involvement in those public companies or organisations.

CHAIRMAN AND MANAGING DIRECTOR

The roles of chairman and managing Director are separate and performed by Mr. Li Shaofeng and Mr. Yang Kaiyu respectively. The chairman, Mr. Li Shaofeng, is responsible for formulating the overall strategies and policies of the Company, while the managing Director, Mr. Yang Kaiyu, is authorized by the Board to manage the day-to-day business operations of the Company in accordance with business model and goals set up by the Board and the guidance of the Internal Control Manual. He is also supported by the full Board members and management.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including independent non-executive Directors) of the Company were appointed for a specific term of three years commencing from 1 January 2014, while Mr. Zhang Wenhui, who was appointed for a term commencing from 21 December 2012 and ending on 31 December 2014. They all are subject to retirement by rotation and re-election at least every three years at annual general meeting in accordance with the Articles.

BOARD COMMITTEES

The Board has established the Board committees, namely remuneration committee, nomination committee and audit committee to manage particular aspects of the Company's affairs and aid in sharing the responsibilities of the Board. Moreover, all the Board committees have formulated their specific written terms of reference in accordance with the requirements of the Code. The Board committee members will also from time to time report their decisions and recommendations to the Board, if necessary.

No corporate governance committee has been established but respective Board committee is responsible for performing the corporate governance functions set out in the terms of reference in accordance with code provision D.3.1 of the Code.

Remuneration committee

The remuneration committee has been established on 4 April 2005 and consists of five members with a majority of independent non-executive Directors. They are:

Mr. Yip Kin Man, Raymond *(Chairman)*
Mr. Li Shaofeng *(Vice Chairman)*
Mr. Leung Shun Sang, Tony *(Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)*

and its terms of reference are summarized as follows:

i) to make recommendations to the Board on the Company's policy and structure for all Directors', and senior management's (if any) remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

ii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management (if any), including benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of their office or appointment), or to make recommendations to the Board on the remuneration of non-executive Directors, and also to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

iii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

iv) to review and approve compensation payable to executive Directors and senior management (if any) for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

vi) to consider the annual performance bonus for executive Directors and senior management (if any), having regard to their achievements against the performance criteria, and make recommendation to the Board;

vii) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

viii) to exercise such other powers, authorities and discretion, and perform such other duties, of the Directors in relation to the remuneration as the Board may from time to time delegate to it, having regard to the Code.

During the year under review, a remuneration committee meeting was held and the works performed by the remuneration committee included to consider the renewal of service contracts of all independent non-executive Directors and one non-executive Director, reviewing and approval of the performance-based remuneration of executive Directors and recommendation of remuneration of non-executive Directors (including independent non-executive Directors) to the Board. The emoluments of the Directors are decided by the remuneration committee, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition. The attendance record of the remuneration committee members is set out in the table: Attendance Record on page 39 of this report.

The information in respect of emolument policy of the Group is set out in the Report of the Directors.

Nomination committee

The nomination committee has been established on 4 April 2005 and consists of five members with a majority of independent non-executive Directors. They are:

Mr. Li Shaofeng *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)*

and its terms of reference are summarized as follows:

i) to review and monitor the structure, size and diversity (including but not limited to gender, language, age, religion, social-economic status, cultural and educational background, ethnicity, professional experience, regional and industry experience, skills, knowledge, thinking styles, know-how and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

ii) to identify and/or nominate and then select or make recommendation to the Board on the selection of qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise with due regard for the benefits of diversity on the Board. Such appointment is subject to the approval of the Board;

iii) to make recommendations (taking into account the Company's corporate strategy and diversity need in the future) to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive;

iv) to assess and review the independence of independent non-executive Directors annually;

v) to review the Board diversity policy concerning diversity of Board members, including any measurable objectives and progress on achieving those objectives, and make disclosure of the policy or a summary of the policy in the corporate governance report annually;

vi) for corporate governance issues, the nomination committee should (i) review and monitor the training and continuous professional development of Directors and senior management (if any); and (ii) develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Company's employees and Directors;

vii) the nomination committee shall make a statement or report to the Board after each meeting about its activities, the process used for appointments and explain if external advice has been used and disclose and publish in the annual report or other report as required subject to the Listing Rules amended from time to time; and

viii) to exercise such other powers, authorities and discretion, and perform such other duties, of the Directors in relation to the nomination as the Board may from time to time delegate to it, having regard to the Code.

During the year under review, the Board adopted the Board Diversity Policy and revised terms of reference of nomination committee in compliance with code provision A.5.6. of the Code. A nomination committee meeting was held and the works performed by the nomination committee included (i) the review of current structure, size and diversity of the Board; (ii) assessment and review of the independence of independent non-executive Directors; (iii) the review of the Board Diversity Policy and determination of its measurable objectives of its timeline to ensure an appropriate focus on diversity; (iv) the review of the current procedures for the nomination of new Director and the re-appointment of Directors; and (v) the review of the training and continuous professional development of Directors during the year. Other than the elements of board diversity, in considering the nomination of new Directors, the nomination committee members will also take into account the qualification, ability, working experience and professional ethics of the candidates, especially their experience in the business/industry of the Group and/or other professional areas. The recommendation of nomination committee then put forward for consideration and adoption, where appropriate, by the Board. The attendance record of the nomination committee members is set out in the table: Attendance Record on page 39 of this report.

The summary of Board Diversity Policy and its measurable objectives are set out hereunder:

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Through diversity, business results can be driven, reputation can be enhanced and a diverse team of talented people can be attracted, retained on the Board.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, language, age, religion, social-economic status, cultural and educational background, ethnicity, professional experience, regional and industry experience, skills, knowledge, thinking styles, know-how and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Shougang Century remains committed to meritocracy in the boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, language, age, religion, social-economic status, cultural and educational background, ethnicity, professional experience, regional and industry experience, skills, knowledge, thinking styles, know-how and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

The nomination committee will also report annually, in this report, on the Board's composition under diversified perspectives, and monitor the implementation of this policy.

Measurable objectives in 2014

1. Deliver training to leaders (Directors) in sound recruitment methods, including removal of gender bias; and

2. Review of succession planning of Board members, if necessary.

Audit committee

The audit committee has been established on 30 December 1998. At present, it consists of three members and all of them are independent non-executive Directors. They are:

Mr. Yip Kin Man, Raymond *(Chairman)*
Mr. Law, Yui Lun
Mr. Chan Chung Chun

and its terms of reference are summarized as follows:

Relationship with the Company's external auditors

i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

ii) to review and monitor the external auditor's independence and objectivity;

iii) to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

iv) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

v) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

Review of the Company's financial information

vi) to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review any significant financial reporting judgements contained in them. In reviewing these reports (if applicable) before submission to the Board, the audit committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and legal requirements in relation to financial reporting;

vii) In regard to (vi) above:

(a) members of the audit committee should liaise with the Board and senior management (if any);

(b) the audit committee must meet, at least twice a year, with the Company's external auditors; and

(c) the audit committee shall consider any significant or unusual items that are, or may need to be, reflected in the report and account, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer (if any) (or person occupying the same position), or external auditors;

Oversight of the Company's financial reporting system and internal control procedures

viii) to review the Company's financial controls, internal control and risk management systems;

ix) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

x) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

xi) to ensure co-ordination between the internal auditors (if any) and external auditors, and to ensure that the internal audit function (if any) is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

xii) to review the Group's financial and accounting policies and practices;

xiii) to review the external auditor's management letter, any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control and the management's response;

xiv) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

xv) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

xvi) to act as the key representative body for overseeing the Company's relations with the external auditor;

xvii) to report on all of the above matters in the code provisions of the Code to the Board; and

xviii) to consider any other matters specifically referred to the audit committee by the Board.

Corporate Governance Issues

xix) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board, and implement the corporate governance policies laid down by the Board;

xx) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and

xxi) to review the Company's compliance with the Code and other related rules.

During the year under review, three audit committee meetings were held and the attendance record of the audit committee members is set out in the table: Attendance Record on page 39 of this report.

The audit committee members met with the external auditors to discuss the half year and annual financial statements for the financial year of 2013. The external auditors also met the audit committee members without executive Director (save for the financial controller and the company secretary of the Company who may attend to answer any query regarding the financial results and record minutes of the meetings respectively) present.

The audit committee members also discuss matters falling within its terms of reference with the external auditors in the presence of the financial controller and the company secretary of the Company from time to time as they request. When there are uncertainties or ambiguities in interpretation of accounting standards in preparing the half year and annual accounts that may likely to materially impact the financial position of the Group, the Company will prepare certain analysis explaining the scenario in relation thereto for the audit committee members consideration and understanding. The audit committee members have full access to, and the co-operation of, the Company's management in ensuring that it is satisfied with the Company's internal controls.

During the financial year of 2013, the audit committee members had made valuable and positive contribution, and independent and informed comments for the development of the Company's strategy and policies. The audit committee members had reviewed the revised terms of reference of audit committee and also certain areas of the internal control system and corporate governance issues including but not limited to risk assessment reports semi-annually and given advice and opinions to the management of the Company to pay attention to those areas with high risks and further improve the internal control system of the Company. The Board had adopted the recommendation of the audit committee members in those areas thereafter. In view of the scale of the businesses of the Group, the audit committee members agree to the Board's opinion that the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are sufficient.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the fee paid/payable to the external auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

The fees charged by the external auditors of the Company, Deloitte Touche Tohmatsu for the year ended 31 December 2013 amounted to HK$1,276,000 for audit services for audit of annual financial statements and HK$378,000 for non audit services comprising fees for review of interim financial statements.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting and financial reporting standards to enable the presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors will subject to statutory requirements and applicable accounting standards, select suitable accounting policies and apply them consistently, make judgements and estimates that are prudent, fair and reasonable and prepare the financial statements on a going concern basis.

COMPANY SECRETARY

Ms. Chan Lai Yee, the company secretary of the Company, is a full time employee of the Company. She reports to the Board chairman and/or managing Director. During the year, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Board recognizes the importance of effective communication with Shareholders. In order to maintain ongoing dialogue with Shareholders, the Company has particular opportunities of direct communication with Shareholders at various annual general meetings and other general meetings where Shareholders are encouraged to actively attend. In addition, the chairman of the Board and the chairman of each of remuneration committee, nomination committee and audit committee were present to answer any Shareholder's questions at the 2013 annual general meeting (the "AGM"). The external auditor had attended the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence also.

Procedures for members/shareholders to convene a general meeting ("GM")

Under Section 566 of the Companies Ordinance, the Directors are required to call a GM if the Company has received requests to do so from members/shareholders of the Company representing at least 5% of the total voting rights of all the members/shareholders having a right to vote at GM.

The request:

(a) must state the general nature of the business to be dealt with at the GM;

(b) may include the text of a resolution that may properly be moved and is intended to be moved at the GM;

(c) may be deposited at the registered office of the Company at 5th Floor, Bank of East Asia Harbour View Centre, 51–57 Gloucester Road, Wanchai, Hong Kong for the attention of Company Secretary in hard copy form or in electronic form by email at ir@shougangcentury.com.hk;

(d) may consist of several documents in like form;

(e) must be authenticated by the person or persons making it; and

(f) must be verified with the share registrar of the Company, and upon the share registrar's confirmation that the request is proper and in order, the company secretary of the Company will notify the Board to convene a GM by serving proper notice in accordance with the statutory requirements to all the registered members/shareholders of the Company. On the contrary, if the request has been verified as not in order, the requesting members/shareholders will be informed of this outcome and accordingly, a GM will not be convened as requested.

Procedures for members/shareholders and other stakeholders to send enquires and concerns to the Board

Members/shareholders and other stakeholders are invited to access the Company's website at http://www.shougangcentury.com.hk for up-to-date information of the Company. They are advised to send enquires and concerns to the Board:

(a) by post at the registered office of the Company situated at 5th Floor, Bank of East Asia Harbour View Centre, 51–57 Gloucester Road, Wanchai, Hong Kong for the attention of the Company Secretary; or

(b) by email at ir@shougangcentury.com.hk for the attention of our Investor Relations ("IR") section; or

(c) by filling out the sign up form on the Company's website if they would like to be kept up-to-date on the latest information of the Company.

The Company will make response to their questions through their required communication channels or deliver the relevant material directly to their email as soon as the information becomes available online and make necessary arrangement for direction of enquires to the Board, if required.

The company secretary forwards communications relating to matters within the Board's purview to the independent non-executive Directors, communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee, and communications relating to ordinary business matters, such as suggestions, enquires and complaints, to the appropriate Company's executive.

Members/shareholders and other stakeholders can read the Shareholders' Communication Policy at the Company's website for details and, effectiveness communication. The Shareholders' Communication Policy was devised and adopted on 22 March 2012, as revised from time to time, thereafter to maintain candid and constructive communications with Shareholders and potential investors.

Procedures for members/shareholders to put forward proposals at annual general meetings ("AGM")

Pursuant to Section 615 of the Companies Ordinance, if a company is required to hold an AGM under Section 610, the members/shareholders of the company may request the company to give, to members/shareholders of the company entitled to receive notice of the AGM, notice of a resolution that may properly be moved and is intended to be moved at that meeting.

The company must give notice of a resolution if it has received requests that it do so from:

(a) the members/shareholders of the Company representing at least 2.5% of the total voting rights of all the members/shareholders who have a right to vote on the resolution at the AGM to which the requests relate; or

(b) at least 50 members/shareholders who have a right to vote on the resolution at the AGM to which the requests relate.

The request:

(a) must be sent to the registered office of the Company at 5th Floor, Bank of East Asia Harbour View Centre, 51–57 Gloucester Road, Wanchai, Hong Kong for the attention of the Company Secretary in hard copy form or in electronic form at ir@shougangcentury.com.hk;

(b) must identify the resolution of which notice is to be given;

(c) must be authenticated by the person or persons making it; and

(d) must be received by the Company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

The written request will be verified with the Company's share registrar who will check if the written request is proper and in order, the company secretary will notify the Board for including the resolution in the agenda for the AGM.

Pursuant to Section 616 of the Companies Ordinance, the Company that is required under Section 615 to give notice of a resolution must send a copy of it at the Company's own expense to each members/shareholders of the Company entitled to receive notice of the AGM in the same manner as the notice of the meeting; and at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

If the request has been verified as not in order for the said purposes, the members/shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM.

Shareholders power to request circulation of statement

Pursuant to Section 580 of the Companies Ordinance, a member/shareholder of the Company may request the Company to circulate, to members/shareholders of the Company entitled to receive notice of a general meeting, a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting. The Company is required to circulate the statement if it has received requests to do so from the members/shareholders representing at least 2.5% of the total voting rights of all the members/shareholders who have a relevant right to vote or at least 50 members/shareholders who have a relevant right to vote.

The aforesaid members/shareholders' requests (i) may be sent to the Company in hard copy form at the registered office of the Company, 5th Floor, Bank of East Asia Harbour View Centre, 51–57 Gloucester Road, Wanchai, Hong Kong or in electronic form by email at ir@shougangcentury.com.hk; (ii) must identify the statement to be circulated; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company at least 7 days before the meeting to which it relates.

Pursuant to Section 581 of the Companies Ordinance, the Company that is required under Section 580 to circulate a statement must send a copy of it to each members/shareholders of the Company entitled to receive notice of the meeting in the same manner as the notice of the meeting and at the same time as or as soon as reasonably practicable after, it gives notice of the meeting. The expenses of the Company in complying with Section 581 need not be paid by the members/shareholders who requested the circulation of the statement if the meeting to which the requests relate is an AGM of the Company; and the requests sufficient to require the Company to circulate the statement are received in time to enable the Company to send a copy of the statement at the same time as it give notice of the meeting.

INVESTOR RELATIONS

The Company puts a high regard for the aspect of investor relations and it recognizes that establishment of investor relations can enhance its transparency, maximize its value and increase investors' understanding of and trust in the Company. Therefore, the management, as requested may meet with Shareholders, potential and institutional investors and research analysts. The management also will provide them with the information of the latest business development of the Group and answer their queries subject to the Continuous Disclosure Obligation Policy (the "Policy"). The Policy is to help and provide guidance to the Directors and employees of the Group to fulfill their obligations under the Listing Rules and the SFO while allowing them to actively inform the market of the Company development as well as how to make judgement as to what is inside information and when disclosure is required. The corresponding presentation materials subject to the Policy are made available upon request, if appropriate.

In order to further promote a sound communication between the public, the Company fully utilizes its website (http://www.shougangcentury.com.hk) as a means to provide the latest and updated information in a timely manner and from time to time enhances the homepage of the website to reflect the current business development of the Company. Also, the company secretarial department of the Company will respond to the telephone enquiries and email or postages correspondences from Shareholders or investors in respect of various issues subject to the Policy. Any opinions, views and suggestions of Shareholders will be solicited and brought to the attention of the Board and management, if necessary.

During the year, the AGM was held on 18 June 2013 to approve ordinary businesses of annual general meeting. The resolutions of AGM were duly passed by way of poll.

During the year ended 31 December 2013, there had been no significant change in the Company's constitutional documents.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Company and also for reviewing and monitoring the internal operation of the Company. The Company has adopted the Internal Control Manual and implemented the internal control system since 1999. The internal control system covers all material functions, including financial, operational and compliance controls and risk management. In order to align with the changes of relevant laws, rules and regulations as well as further improve the internal control system, the Board will review and refine the system periodically, if necessary.

On 19 December 2013, the Board adopted the revised terms of reference of nomination committee and Shareholders' Right – procedures for members/shareholders to propose a person for election as a director of the Company to include the element of board diversity.

On 25 November 2013, the Board adopted the revised Internal Control Manual to maintain an adequate internal control system of the Company and also review and monitor the internal operation of the Company to align with the changes of relevant laws, rules and regulations.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Further details of the principal activities of the principal subsidiaries are set out in note 43 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 71 to 163.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
(LOSS) PROFIT FOR THE YEAR	**(16,590)**	(299,686)	3,757	200,379	171,314
TOTAL ASSETS	**4,123,008**	3,917,338	4,314,080	3,906,962	3,038,112
TOTAL LIABILITIES	**(1,997,754)**	(1,852,788)	(1,971,679)	(1,652,913)	(971,446)
	2,125,254	2,064,550	2,342,401	2,254,049	2,066,666
NON-CONTROLLING INTEREST	**–**	–	(840)	(840)	(840)
SHAREHOLDERS' EQUITY	**2,125,254**	2,064,550	2,341,561	2,253,209	2,065,826

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and property, plant and equipment of the Group during the year are set out in notes 15 and 16, respectively to the financial statements.

Particulars of the Group's investment properties as at 31 December 2013 are summarised on page 164 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 32 to the financial statements. A share option scheme (the "2002 Scheme") was adopted by the Shareholders at the annual general meeting held on 7 June 2002. At the annual general meeting of the Company held on 25 May 2012, the Shareholders approved the adoption of a new share option scheme (the "2012 Scheme") and termination of the 2002 Scheme. Share options granted under the 2002 Scheme remain valid and exercisable in accordance with the terms of issue. The 2012 Scheme became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares falling to be issued and allotted upon the exercise of the share options granted. Details of share options of 2002 Scheme are set out under the headings "**SHARE OPTION SCHEME**", "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO**" hereunder and in note 41 to the 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 76 of this annual report and in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the old Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (now Sections 291, 297 and 299 of the Companies Ordinance), amounted to HK$3,392,000.

DONATIONS

During the year, the Group did not make any charitable donations.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Li Shaofeng *(Chairman)*
Yang Kaiyu *(Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Zhang Wenhui *(Non-executive Director)*
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Zhang Zhong *(Executive Director)*
Yip Kin Man, Raymond *(Independent Non-executive Director)*
Law, Yui Lun *(Independent Non-executive Director)*
Chan Chung Chun *(Independent Non-executive Director)*

DIRECTORS (continued)

The Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 91 and 92 of the Articles. Messrs. Leung Shun Sang, Tony, Zhang Zhong and Chan Chung Chun will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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).

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO**" and in note 41 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Mr. Yip Kin Man, Raymond has served the Board for more than nine years, however, he has not engaged in any executive management of the Group. His familiarity with the Company's business may place him in a better position to contribute independent views to the Company. Taking into consideration of his independent scope of works in the past years, there is no evidence that length of tenure is having an adverse impact on his independence.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the Company's share options during the year are set out under the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO**" hereunder and in note 41 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO

As at 31 December 2013, save for the interest of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares of the Company

Name of Director	Total number of Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Yang Kaiyu ("Mr. Yang")	3,596,000	0.18	Family interest *Note (i)*
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner *Note (ii)*

Notes:

(i) All those Shares were beneficially owned by Mr. Yang's wife.

(ii) Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) ***Share options***

As at 31 December 2013, there were a total of 62,468,000 outstanding share options of the Company granted to Directors under 2002 Scheme, details of which are summarized as follows:

	Options to subscribe for Shares										
Name of Director	Number of outstanding share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Date of exercise	Number of outstanding share options held at the end of the year	Date of grant *Note (i)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Mr. Li	30,614,000 *Note (ii)*	–	–	(30,614,000) *Note (iv)*	–	–	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	13,800,000	–	–	–	–	13,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	44,414,000	–	–	(30,614,000)		13,800,000				Beneficial owner	0.71
Mr. Yang	5,400,000	–	–	–	–	5,400,000	13/7/2009	13/7/2009 to 12/7/2019	0.680		
	5,400,000	–	–	–	–	5,400,000 *Note (iii)*	13/7/2009	1/1/2010 to 12/7/2019	0.680		
	7,200,000	–	–	–	–	7,200,000 *Note (iii)*	13/7/2009	1/1/2011 to 12/7/2019	0.680		
	18,000,000	–	–	–		18,000,000				Beneficial owner	0.93

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) ***Share options*** (continued)

	Options to subscribe for Shares										
Name of Director	Number of outstanding share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Date of exercise	Number of outstanding share options held at the end of the year	Date of grant *Note (i)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Mr. Leung	4,592,000	–	–	(4,592,000) *Note (iv)*	–	–	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	12,000,000	–	–	–	–	12,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	16,592,000	–	–	(4,592,000)		12,000,000				Beneficial owner	0.62
Mr. Tang	10,000,000	–	–	–	–	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.52
Zhang Zhong	2,000,000	–	–	–	–	2,000,000	14/12/2010	14/12/2010 to 13/12/2020	0.940	Beneficial owner	0.10
Yip Kin Man, Raymond	382,000	–	–	(382,000) *Note (iv)*	–	–	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	252,000	–	–	–	–	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	–	–	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	2,434,000	–	–	(382,000)		2,052,000				Beneficial owner	0.10

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

	Options to subscribe for Shares										
Name of Director	Number of outstanding share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Date of exercise	Number of outstanding share options held at the end of the year	Date of grant *Note (i)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Law, Yui Lun	1,016,000	–	–	–	–	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	–	–	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	2,816,000	–	–	–		2,816,000				Beneficial owner	0.14
Chan Chung Chun	1,800,000	–	–	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09
	98,056,000	–	–	(35,588,000)		62,468,000					

Notes:

(i) The vesting period of the share options is from the date of grant to the beginning of the exercise period except for the share options set out under *Note (iii)* below.

(ii) These share options granted were in excess of the individual limit and the approval from Shareholders was obtained in the general meeting held on 25 June 2003.

(iii) 5,400,000 share options have a vesting period from the date of grant to 31 December 2009 and 7,200,000 share options have a vesting period from the date of grant to 31 December 2010.

(iv) 30,614,000 share options lapsed with effect from 25/6/2013 and both 4,592,000 and 382,000 share options lapsed with effect from 25/8/2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) ***Share options*** (continued)

The above share options are unlisted cash settled options granted pursuant to 2002 Scheme. Upon exercise of the share options in accordance with 2002 Scheme, ordinary shares of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of the Company's associated corporations at 31 December 2013.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, save as disclosed below, none of the Directors is considered to have interest in the businesses which are considered to compete or likely to compete, either directly or indirectly, with businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

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 Director's interest in the entity
Li Shaofeng *(Note 1)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Non-executive director and shareholder
Zhang Zhong *(Note 2)*	Bekaert (Huizhou) Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert (Shandong) Tire Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Ansteel Tire Cord (Chongqing) Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

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 Director's interest in the entity
	Bekaert Binjiang Advanced Products Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Binjiang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Korea Ltd.	Sale of steel cord products and other advanced materials	Director
	Bekaert Shenyang Advanced Products Co., Ltd.	Manufacturing and sale of fine cord, precision and other special steel cord products	Director
	Bekaert – Shenyang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	China Bekaert Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
Chan Chung Chun *(Note 3)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Deputy chairman and executive director and shareholder (beneficial owner, interest of controlled corporation)
	Sinocop Resources (Chile) Limited	Trading of metals and minerals	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Notes:

1. Mr. Li Shaofeng acts as a non-executive director and non-controlling shareholder of Sinocop Resources (Holdings) Limited ("Sinocop Resources") and does not participate in any decision making on daily operation of Sinocop Resources. He is the chairman of the Company and shall perform his duties towards the interest of the Company.

2. Pursuant to a subscription agreement (the "Bekaert Subscription") entered into by the Company and Bekaert in September 2006, a nominee of Bekaert should be appointed as an executive Director to represent Bekaert after the completion of the Bekaert Subscription on 15 December 2006 and as such, Mr. Zhang Zhong was appointed.

3. Mr. Chan Chung Chun was appointed as an independent non-executive Director on 1 October 2007. He shall perform his duties towards the interest of the Company.

In general, directors should owe their fiduciary duties towards the company as a whole and as such the Board believes that all Board members will act in the best interest of the Company and its Shareholders when they discharge their duties and responsibilities as Directors.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE COMPANY UNDER THE SFO

As at 31 December 2013, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/underlying Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Richson	148,537,939	7.72	Beneficial owner
Fair Union	686,655,179	35.70	Beneficial owner and interests of controlled corporations Note (1)
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations Note (2)
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	904,639,179	47.04	Beneficial owner and interests of controlled corporations Note (3)
Bekaert Combustion	250,000,000	13.00	Beneficial owner Note (4)
Bekaert	250,000,000	13.00	Interests of controlled corporations Note (5)
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner Note (6)

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE COMPANY UNDER THE SFO (continued)

Long position in Shares or underlying Shares (continued)

Notes:

(1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.

(2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.

(3) Shougang HK is beneficially interested in 2,096,000 Shares and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,034,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 14,870,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand as Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as it is the controlling shareholder of Shougang International.

(4) Bekaert Holding, the old registered Shareholder, and Bekaert Combustion were merged as of 31 August 2013. Bekaert Holding no longer existed. Therefore, Bekaert Combustion becomes beneficially interested in 250,000,000 Shares.

(5) By virtue of the SFO, Bekaert is deemed to be interested in 250,000,000 Shares held by Bekaert Combustion, which is a wholly owned subsidiary of Bekaert.

(6) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contract of significance between the Group, Shougang HK and its subsidiaries are set out under the heading "**RELATED PARTY TRANSACTIONS**" hereunder and/or in note 42 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to practicing and achieving a high standard of corporate governance and the Board has approved and adopted the SCCHL Corporate Governance Code on terms no less exacting than those set out in the provisions of the Code. Further information on the Company's Corporate Governance Code is set out in the "**Corporate Governance Report**" on pages 36 to 53 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting standard. These mainly relate to contracts entered into by the Group in the ordinary and usual course of business which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 42 to the financial statements. The following transaction also constituted "continuing connected transaction" under the Listing Rules:

The Group has the following continuing connected transaction required to be disclosed under the Listing Rules:

Continuing connected transaction exempt from the independent Shareholders' approval requirements

Tenancy Agreement

A tenancy agreement dated 28 December 2012 (the "Tenancy Agreement") whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,000 square feet was leased by Billioncorp Development Limited, an indirect wholly owned subsidiary of Shougang HK, to a wholly owned subsidiary of the Company for a term of thirty-six (36) months commencing from 1 January 2013 and expiring on 31 December 2015 at a monthly rental of HK$198,000 (exclusive of rates, management fees and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term). The details are set out in the Company's announcement dated 28 December 2012.

RELATED PARTY TRANSACTIONS (continued)

Continuing connected transaction exempt from the independent Shareholders' approval requirements (continued)

Tenancy Agreement (continued)

Shougang HK is a substantial Shareholder and therefore a connected person of the Company under the Listing Rules. Accordingly, the transaction under the Tenancy Agreement constituted continuing connected transaction (the "Continuing Connected Transaction"). The Continuing Connected Transaction to the Company, which took place during the year, has been reviewed by the independent non-executive Directors who have confirmed that the Continuing Connected Transaction has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties;

(c) in accordance with the Tenancy Agreement and relevant agreements governing them on terms that are fair and reasonable and in the best interest of the Company and its Shareholders as a whole; and

(d) the aggregate amount of the rent payable by the Group to Shougang HK and its subsidiaries (collectively referred to as the "Shougang HK Group") was HK$2,376,000 during the year of 2013. The said rent payable by the Group to Shougang HK Group did not exceed the limit of annual rental cap of HK$2,376,600.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the Continuing Connected Transaction. The auditors of the Company have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transaction. The independent non-executive Directors have reviewed the Continuing Connected Transaction and the letter of the auditors and have confirmed that the transaction had been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transaction that are fair and reasonable and in the interests of the Shareholders as a whole.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company has adopted a share option scheme as incentive/reward to Directors and eligible participants/qualifying grantees, details of the scheme are set out in note 41 to the financial statements and the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO**" hereabove.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules during the year and as at the latest practicable date, 26 March 2014 prior to the issue of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the Group's five largest customers accounted for approximately 35% (2012: 32%) of the total sales and sales to the largest customer included therein amounted to approximately 11% (2012: 8%).

Purchases from the Group's five largest suppliers accounted for approximately 35% (2012: 35%) of the total purchases for the year and purchases from the largest supplier, included therein amounted to approximately 9% (2012: 12%).

Save for disclosed above, as far as the Directors are aware, neither the Directors, their associates, nor those Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

Li Shaofeng
Chairman
Hong Kong
27 March 2014

Deloitte.
德勤

TO THE MEMBERS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively refwerred to as the "Group") set out on pages 71 to 163, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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 the 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.

AUDITOR'S RESPONSIBILITY (continued)

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 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

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	5	**1,857,665**	1,688,107
Cost of sales		**(1,643,252)**	(1,671,638)
Gross profit		**214,413**	16,469
Investment and other income	7	**7,945**	3,974
Other gains and losses	8	**24,877**	(114,199)
Distribution and selling expenses		**(48,424)**	(46,553)
Administrative expenses		**(74,711)**	(77,331)
Research and development expenses		**(53,412)**	(13,440)
Finance costs	9	**(76,175)**	(76,419)
Loss before tax		**(5,487)**	(307,499)
Income tax (expense) credit	10	**(11,103)**	7,813
Loss for the year	11	**(16,590)**	(299,686)
Loss per share	14		
Basic and diluted		**(HK0.86 cents)**	(HK15.59 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(16,590)**	(299,686)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss		
Exchange differences arising on translation of group entities	**64,937**	5,100
Surplus on revaluation of properties	**19,403**	21,983
Recognition of deferred tax liability on revaluation of properties	**(7,046)**	(5,248)
Other comprehensive income for the year (net of tax)	**77,294**	21,835
Total comprehensive income (expense) for the year	**60,704**	(277,851)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Investment properties	15	**46,907**	36,187
Property, plant and equipment	16	**1,928,784**	1,971,861
Prepaid lease payments	17	**187,325**	190,100
Goodwill	19	**41,672**	41,672
Club memberships	20	**762**	750
Deposit paid for the acquisition of property, plant and equipment		**651**	1,780
Deferred tax assets	31	**1,151**	5,942
		2,207,252	2,248,292
Current assets			
Inventories	21	**324,316**	292,685
Trade receivables	22	**662,815**	498,480
Bills receivable	22	**644,472**	525,956
Prepayments, deposits and other receivables	24	**151,415**	167,364
Prepaid lease payments	17	**8,728**	8,463
Tax recoverable		**–**	175
Bank balances and cash	27	**124,010**	175,923
		1,915,756	1,669,046
Current liabilities			
Trade payables	28	**345,450**	199,065
Other payables and accruals	28	**172,012**	224,314
Tax payable		**28,197**	21,445
Loan from a related company	29	**–**	123,327
Bank borrowings – due within one year	30	**1,099,542**	824,941
		1,645,201	1,393,092
Net current assets		**270,555**	275,954
Total assets less current liabilities		**2,477,807**	2,524,246

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	30	**322,430**	436,986
Other payable		**1,250**	1,154
Deferred tax liabilities	31	**28,873**	21,556
		352,553	459,696
		2,125,254	2,064,550
Capital and reserves			
Share capital	32	**192,290**	192,290
Reserves		**1,932,964**	1,872,260
		2,125,254	2,064,550

The consolidated financial statements on pages 71 to 163 were approved and authorised for issue by the board of directors on 27 March 2014 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	18	**502,374**	481,335
Advances to subsidiaries	18	**1,346,944**	1,213,295
Club memberships	20	**402**	391
		1,849,720	1,695,021
Current assets			
Prepayments and other receivables		**260**	326
Amounts due from subsidiaries	25	**610,159**	439,999
Bank balances and cash	27	**3,495**	70,685
		613,914	511,010
Current liabilities			
Other payables and accruals		**4,556**	10,510
Loan from a related company	29	**–**	123,327
Bank borrowings – due within one year	30	**604,520**	374,031
		609,076	507,868
Net current assets		**4,838**	3,142
Total assets less current liabilities		**1,854,558**	1,698,163
Non-current liability			
Bank borrowings – due after one year	30	**99,959**	6,558
		1,754,599	1,691,605
Capital and reserves			
Share capital	32	**192,290**	192,290
Reserves	33	**1,562,309**	1,499,315
		1,754,599	1,691,605

DIRECTOR

DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	PRC reserve funds HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000	Share option reserve of a subsidiary HK$'000	Total HK$'000
At 1 January 2012	192,290	996,784	23,990	2,724	23,484	346,766	33,858	38,815	682,850	2,341,561	840	2,342,401
Loss for the year	–	–	–	–	–	–	–	–	(299,686)	(299,686)	–	(299,686)
Exchange differences arising on translation of group entities	–	–	–	–	–	5,100	–	–	–	5,100	–	5,100
Surplus on revaluation of properties	–	–	–	–	21,983	–	–	–	–	21,983	–	21,983
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(5,248)	–	–	–	–	(5,248)	–	(5,248)
Total comprehensive income (expense) for the year	–	–	–	–	16,735	5,100	–	–	(299,686)	(277,851)	–	(277,851)
Transfer upon deregistration of a subsidiary	–	–	–	–	–	(866)	–	–	866	–	–	–
Lapse/cancellation of share options	–	–	–	–	–	–	(1,511)	–	2,351	840	(840)	–
Transfer	–	–	–	–	–	–	–	6,653	(6,653)	–	–	–
At 31 December 2012	**192,290**	**996,784**	**23,990**	**2,724**	**40,219**	**351,000**	**32,347**	**45,468**	**379,728**	**2,064,550**	**–**	**2,064,550**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,590)**	**(16,590)**	**–**	**(16,590)**
Exchange differences arising on translation of group entities	**–**	**–**	**–**	**–**	**–**	**64,937**	**–**	**–**	**–**	**64,937**	**–**	**64,937**
Surplus on revaluation of properties	**–**	**–**	**–**	**–**	**19,403**	**–**	**–**	**–**	**–**	**19,403**	**–**	**19,403**
Recognition of deferred tax liability on revaluation of properties	**–**	**–**	**–**	**–**	**(7,046)**	**–**	**–**	**–**	**–**	**(7,046)**	**–**	**(7,046)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**12,357**	**64,937**	**–**	**–**	**(16,590)**	**60,704**	**–**	**60,704**
Lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(267)**	**–**	**267**	**–**	**–**	**–**
At 31 December 2013	**192,290**	**996,784**	**23,990**	**2,724**	**52,576**	**415,937**	**32,080**	**45,468**	**363,405**	**2,125,254**	**–**	**2,125,254**

Notes:

i. The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

ii. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve fund is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(5,487)**	(307,499)
Adjustments for:		
Depreciation of property, plant and equipment	**141,951**	161,266
Impairment loss recognised in respect of property, plant and equipment	**–**	56,000
Amortisation of prepaid lease payments	**8,591**	8,432
Increase in fair value of investment properties	**(4,465)**	(4,696)
Reversal of revaluation deficit of leasehold land and buildings	**–**	(753)
Loss on disposal of property, plant and equipment, net	**244**	185
Interest income	**(1,196)**	(991)
Allowance for inventories recognised, net	**1,462**	46,011
Inventories written off	**–**	4,980
Allowance for bad and doubtful debts (reversed) recognised, net	**(12,763)**	51,052
Finance costs	**76,175**	76,419
Foreign exchange (gains) losses, net	**(7,203)**	7,040
Operating cash flows before movements in working capital	**197,309**	97,446
(Increase) decrease in inventories	**(24,784)**	81,870
Increase in trade and bills receivables	**(459,514)**	(241,387)
Decrease in prepayments, deposits and other receivables	**17,482**	10,227
Increase in trade payables	**249,857**	121,474
Increase (decrease) in other payables and accruals	**1,605**	(3,290)
Cash (used in) generated from operations	**(18,045)**	66,340
Interest received	**1,196**	991
Interest paid	**(70,828)**	(67,699)
Hong Kong Profits Tax refunded	**75**	849
PRC Enterprise Income Tax refunded (paid), net	**338**	(13,503)
NET CASH USED IN OPERATING ACTIVITIES	**(87,264)**	(13,022)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(9,860)**	(106,277)
Deposit paid for the acquisition of property, plant and equipment	**(6,607)**	(18,849)
Proceeds from disposal of property, plant and equipment	**422**	586
NET CASH USED IN INVESTING ACTIVITIES	**(16,045)**	(124,540)
FINANCING ACTIVITIES		
New bank loans raised	**1,078,032**	502,956
Trust receipt loans raised	**104,274**	119,295
Bank advances for discounted bills	**35,980**	108,340
Repayment of bank loans	**(934,577)**	(547,945)
Repayment of trust receipt loans	**(110,305)**	(146,756)
Loan advanced from a related company	**150,000**	122,666
Repayment to a related company	**(276,124)**	–
NET CASH FROM FINANCING ACTIVITIES	**47,280**	158,556
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(56,029)**	20,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**175,923**	154,956
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**4,116**	(27)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Bank balances and cash	**124,010**	175,923

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's substantial shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the PRC. The address of the registered office of the Company is disclosed in the "**Corporate Information**" section of the annual report.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing of steel cords and processing and trading of copper and brass products.

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. For the convenience of financial statements users, the financial statements are presented in Hong Kong dollars ("HKD").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("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, except for the amendments to HKAS 1
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.

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

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:

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

(b) 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 application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements.

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) it 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 application of HKFRS 10 has had no material impact on the amounts reported in the Group's 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, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements. The application of HKFRS 12 has had no material impact on the disclosures in the Group's consolidated financial statements.

2. 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 15 and 16 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 Group's 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" and the "income statement" is renamed as the "statement of profit or loss". 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.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
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]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
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 Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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

5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31 December 2013, the directors of the Company anticipate that the adoption of HKFRS 9 will not have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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 or 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 ("CODM").

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 directors of the Company 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.

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

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 of the Company 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 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 of the Company 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 Group does not have any financial assets and financial liabilities that qualify for offset.

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

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

3. 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 "Listing Rules").

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts or 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.

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.

3. 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.

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 from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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 CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Goodwill arising on an acquisition of a subsidiary 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.

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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 disposals. 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 property) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment 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 costs 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

Club memberships

Club memberships are stated in the consolidated and company statement of financial position at cost less subsequent accumulated impairment losses, if any.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure (continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 tax" as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 differences 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts, sales related taxes and returns.

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.

Deposits from customers prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

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.

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 revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

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 leases 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.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis, except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated from functional currency to the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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 state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into "loans and receivables".

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advances to subsidiaries, amounts due from subsidiaries, trade receivables, bills receivable, other receivables and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected. 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 original effective interest rate.

For loans and receivables, 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 trade receivables, 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 given and observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables, 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 is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

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 and the definitions of a financial liability and an equity instrument.

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 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.

Financial liabilities

Financial liabilities (including trade payables, other payables, loan from a related company and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

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 original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract 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, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Equity-settled share-based payment transactions

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, or recognised as an expense in full at the grant date when the share option granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, 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.

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 be transferred to retained profits.

Share options granted to employees and other eligible participants on or before 7 November 2002 or granted after 7 November 2002 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 lapsed or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (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 assets 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 CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When allocating an impairment loss to individual assets within a CGU, 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 CGU on a pro rata basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company 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 ongoing 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company 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 arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties 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, the directors of the Company 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 has not recognised any 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. In respect of those investment properties located in the PRC, the Group recognised additional deferred taxes relating to land appreciation tax on changes in fair value of such investment properties.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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 allowance for bad and doubtful debts

The Group estimates the allowance for bad and doubtful debts by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowance are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the allowance for bad and doubtful debts at the end of the reporting period. As at 31 December 2013, the carrying amount of trade receivables is HK$662,815,000, net of allowance of approximately HK$47,374,000 (2012: HK$498,480,000, net of allowance of HK$59,535,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or there are unfavourable changes in facts and circumstances which result in revisions of the estimated future cash flows, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is HK$41,672,000 (2012: HK$41,672,000). Details of the recoverable amount calculation are disclosed in Note 19.

Estimated impairment of property, plant and equipment

The Group reviews the carrying value of its property, plant and equipment to determine whether there is any indication that those assets are impaired. If it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of the CGU to which the property, plant and equipment belong. The recoverable amount of the CGU to which those assets belongs is measured at the higher of value in use and fair value less cost to sell.

The value in use is based on estimate of future expected cash flow of the CGU and a suitable discount rate. Management necessarily applies its judgment in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of property, plant and equipment (continued)

There is no impairment loss recognised or reversed during the year ended 31 December 2013. During the year ended 31 December 2012, an impairment loss of HK$56,000,000 recognised in the profit or loss of which (i) HK$53,134,000 was allocated to plant and machinery; (ii) HK$440,000 was allocated to furniture, fixtures and equipment; (iii) HK$314,000 was allocated to motor vehicles; and (iv) HK$2,112,000 was allocated to construction in progress on a pro rata basis with reference to their respective carrying amounts before impairment. Details of the recoverable amount calculation are disclosed in Note 16.

Depreciation

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives of the relevant type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

At 31 December 2013, the Group's carrying value of property, plant and equipment is HK$1,928,784,000 (2012: HK$1,971,861,000). Depreciation is recognised by the Group so as to write off the cost or revalued amount of items of property, plant and equipment less their residual values over the estimated useful lives of five to fifty years, using the straight-line method commencing from the date the property, plant and equipment are placed into use. The estimated useful lives and the dates that the Group places the property, plant and equipment into use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of that property, plant and equipment.

Estimate of fair value of leasehold land and buildings

At the end of the reporting period, leasehold land and buildings are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumption used in valuation is reflective of the current market conditions.

4. CRITICAL ACCOUNTING JUDGMENTS 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 was HK$324,316,000, net of allowance of HK$18,961,000 (2012: HK$292,685,000, net of allowance of HK$51,053,000). At the end of the reporting period, the Group reviews an aging analysis of inventories and carries out an inventory review on a product-by-product basis. The Group makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group also estimates the net realisable value for finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties and property, plant and equipment. Details are disclosed in Notes 15 and 16.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns, trade discounts and sales related taxes, and gross rental income during the year.

An analysis of the Group's revenue for the year is as follows:

	2013	2012
	HK$'000	HK$'000
Sales of goods		
Manufacturing of steel cords	**1,473,662**	1,285,893
Processing and trading of copper and brass products	**382,591**	401,238
	1,856,253	1,687,131
Rental income	**1,412**	976
	1,857,665	1,688,107

6. SEGMENT INFORMATION

Information reported to the Company's managing director, being the CODM, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

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

i) The steel cord segment comprising the manufacturing of steel cords; and

ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results

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

For the year ended 31 December 2013

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Segment revenue			
External sales	1,473,662	382,591	1,856,253
Inter-segment sales (Note)	–	25,773	25,773
Total	1,473,662	408,364	1,882,026
Segment results	78,994	(2,558)	76,436

Note: Inter-segment sales are made based on prevailing market price.

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,882,026
Rental income	1,412
Elimination of inter-segment sales	(25,773)
Group revenue	1,857,665

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2013 (continued)

Reconciliation of loss before tax

	HK$'000
Total profit for operating segments	**76,436**
Profit arising from property investment	**5,342**
Unallocated amounts	
Unallocated income	**1,208**
Unallocated foreign exchange gains, net	**14,813**
Unallocated expenses	**(27,111)**
Unallocated finance costs	**(76,175)**
Loss before tax	**(5,487)**

For the year ended 31 December 2012

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Segment revenue			
External sales	1,285,893	401,238	1,687,131
Inter-segment sales (Note)	–	20,897	20,897
Total	1,285,893	422,135	1,708,028
Segment results	(200,265)	(781)	(201,046)

Note: Inter-segment sales are made based on prevailing market price.

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2012 (continued)

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,708,028
Rental income	976
Elimination of inter-segment sales	(20,897)
Group revenue	1,688,107

Reconciliation of loss before tax

	HK$'000
Total loss for operating segments	(201,046)
Profit arising from property investment	4,982
Unallocated amounts	
Unallocated income	1,112
Unallocated foreign exchange losses, net	(6,110)
Unallocated expenses	(30,018)
Unallocated finance costs	(76,419)
Loss before tax	(307,499)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represents the profit or loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Segment assets

	2013 **HK$'000**	2012 HK$'000
Steel cord	**3,771,136**	3,551,412
Copper and brass products	**129,473**	133,467
Total segment assets	**3,900,609**	3,684,879
Bank balances and cash	**124,010**	175,923
Unallocated assets	**98,389**	56,536
Consolidated assets	**4,123,008**	3,917,338

Segment liabilities

	2013 **HK$'000**	2012 HK$'000
Steel cord	**493,013**	406,452
Copper and brass products	**18,841**	12,781
Total segment liabilities	**511,854**	419,233
Bank borrowings	**1,421,972**	1,261,927
Unallocated liabilities	**63,928**	171,628
Consolidated liabilities	**1,997,754**	1,852,788

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investment properties, club memberships, deferred tax assets, certain trade receivables, certain prepayments, deposits and other receivables, tax recoverable and bank balances and cash.

- all liabilities are allocated to operating segments other than loan from a related company, tax payable, bank borrowings, deferred tax liabilities and other unallocated payables and accruals.

(c) Other segment information

For the year ended 31 December 2013

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Amounts included in the measure of segment assets or segment profit or loss:			
Property, plant and equipment	1,908,495	13,621	1,922,116
Capital expenditure	24,178	784	24,962
Depreciation	139,767	893	140,660
Allowance for bad and doubtful debts reversed, net	(12,763)	–	(12,763)
Allowance for inventories recognised, net	1,462	–	1,462
Loss on disposal of property, plant and equipment	228	–	228
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax expense	10,108	2	10,110

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

For the year ended 31 December 2012

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Amounts included in the measure of segment assets or segment profit or loss:			
Property, plant and equipment	1,946,877	12,474	1,959,351
Capital expenditure	48,639	867	49,506
Depreciation	159,016	929	159,945
Impairment loss on property, plant and equipment recognised in profit or loss	56,000	–	56,000
Allowance for bad and doubtful debts recognised, net	50,956	96	51,052
Allowance for inventories recognised, net	46,011	–	46,011
Inventories written off	4,980	–	4,980
Reversal of revaluation deficit of leasehold land and buildings	–	(753)	(753)
Loss on disposal of property, plant and equipment	179	–	179
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax credit	(8,443)	(334)	(8,777)

(d) Geographical information

The Group's operations, non-current assets and substantially all of the customers are located in the PRC (including Hong Kong) which is the country of domicile of the relevant group entities. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

6. SEGMENT INFORMATION (continued)

(e) Information about major customer

Revenue from a customer contributing over 10% of the total revenue of the Group is as follows:

	2013	2012
	HK$'000	HK$'000
Customer A[1]	**209,035**	N/A[2]

[1] Revenue from steel cord segment.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. INVESTMENT AND OTHER INCOME

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Investment income		
Interest income on bank deposits	**1,196**	991
Other income		
Government grants (Note)	**5,380**	1,631
Sales of scrap materials	**1,369**	1,352
	6,749	2,983
	7,945	3,974

Note: The government grants represented immediate financial supports granted by the local government. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

8. OTHER GAINS AND LOSSES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Foreign exchange gains (losses), net	**7,261**	(7,680)
Increase in fair value of investment properties (Note 15)	**4,465**	4,696
Impairment loss recognised in respect of property, plant and equipment (Note 16)	**–**	(56,000)
Allowance for bad and doubtful debts reversed (recognised), net	**12,763**	(51,052)
Reversal of revaluation deficit of leasehold land and buildings	**–**	753
Loss on disposal of property, plant and equipment, net	**(244)**	(185)
Others	**632**	(4,731)
	24,877	(114,199)

9. FINANCE COSTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**63,857**	62,645
Interest expenses on loans from a related company wholly repayable within five years	**6,971**	5,054
Amortisation of transaction costs	**5,692**	9,331
Total borrowing costs	**76,520**	77,030
Less: amounts capitalised	**(345)**	(611)
	76,175	76,419

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.24% (2012: 5.22%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE (CREDIT)

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**5,947**	4,234
Under(over) provision in prior years:		
Hong Kong	**–**	(12)
PRC EIT	**96**	106
	96	94
Deferred taxation (Note 31):		
Current year	**5,060**	(12,141)
	11,103	(7,813)

No provision for Hong Kong Profits Tax for the year ended 31 December 2013 and 2012 as there is no assessable profit subject to Hong Kong Profits Tax for the year.

Under the Law of the PRC on EIT (the "EIT Law"), the Company's major subsidiaries in the PRC are now subject to a tax rate of 25%.

Two subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of the PRC EIT and are exempted from the PRC EIT for two years commencing from their first year of operation and thereafter, these subsidiaries will be entitled to a 50% relief from the PRC EIT for the following three years. During the year ended 31 December 2012, these two subsidiaries are in the final year of entitling 50% relief from the PRC EIT. The PRC EIT charges for the year ended 31 December 2012 were arrived at after taking into account these tax incentives.

10. INCOME TAX EXPENSE (CREDIT) (continued)

In addition, according to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise. Deferred tax has been provided in the consolidated statement of profit or loss in respect of the temporary differences attributable to such incomes based on the applicable tax rates.

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Loss before tax	**(5,487)**	(307,499)
Tax at PRC EIT rate of 25% (Note i)	**(1,372)**	(76,875)
Tax effect of expenses not deductible in determining taxable profit	**9,818**	10,252
Tax effect of income not taxable in determining taxable profit	**(2,321)**	(1,746)
Tax effect of tax losses not recognised	**9,908**	53,211
Tax effect on deductible temporary differences not recognised	**–**	14,000
Tax effect on utilisation of deductible temporary difference previously not recognised	**(1,061)**	(124)
Deferred tax on distributable earnings of PRC subsidiaries	**1,693**	(5,275)
Effect of tax exemptions and concessions granted to subsidiaries	**(5,226)**	(1,043)
Effect of different tax rates in other jurisdiction	**521**	264
Effect of different tax rates for interest income (Note ii)	**(656)**	(603)
Under provision in respect of prior years	**96**	94
Others	**(297)**	32
Income tax expense (credit) for the year	**11,103**	(7,813)

10. INCOME TAX EXPENSE (CREDIT) (continued)

Notes:

i. The PRC EIT rate of 25% is used as the PRC is where the operation of the Group is substantially based.

ii. The withholding tax rates on interest income earned from entities in the PRC were 7% and 10%.

In addition to the amount charged or credited to the consolidated statement of profit or loss, deferred tax relating to the revaluation of the Group's leasehold land and buildings has been charged directly to other comprehensive income.

11. LOSS FOR THE YEAR

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 12):		
– Salaries, wages and other benefits	**166,874**	144,511
– Retirement benefit scheme contributions	**18,921**	14,113
Total staff costs	**185,795**	158,624
Cost of inventories recognised as an expense (including allowance for inventories recognised of approximately HK$1,462,000 (2012: HK$46,011,000) and inventories written off of approximately HK$4,980,000 during the year ended 31 December 2012 (2013: Nil))	**1,621,255**	1,650,955
Depreciation of property, plant and equipment	**141,951**	161,266
Auditor's remuneration	**1,276**	1,240
Amortisation of prepaid lease payments (included in "Cost of sales")	**8,591**	8,432
Gross rental income from investment properties	**(1,412)**	(976)
Less: direct operating expenses for investment properties that generate rental income during the year	**104**	270
Net rental income	**(1,308)**	(706)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2012: ten) directors of the Company were as follows:

For the year ended 31 December 2013

	Li Shaofeng HK$'000	Yang Kaiyu HK$'000	Leung Shun Sang, Tony HK$'000	Zhang Wenhui HK$'000	Tang Cornor Kwok Kau HK$'000	Zhang Zhong HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Total HK$'000
Fees	–	–	190	190	–	150	240	240	240	1,250
Other emoluments										
Salaries and other benefits	–	2,642	–	–	1,982	–	–	–	–	4,624
Retirement benefit scheme contributions	–	143	–	–	107	–	–	–	–	250
Others	–	220	–	–	165	–	–	–	–	385
Total emoluments	–	3,005	190	190	2,254	150	240	240	240	6,509

For the year ended 31 December 2012

	Li Shaofeng HK$'000	Yang Kaiyu HK$'000	Leung Shun Sang, Tony HK$'000	Zhang Wenhui HK$'000 (appointed on 21 December 2012)	Tang Cornor Kwok Kau HK$'000	Dong Haochun HK$'000 (appointed and resigned with effect from 1 April 2012 and 14 September 2012 respectively)	Zhang Zhong HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Total HK$'000
Fees	–	–	190	6	–	–	150	240	240	240	1,066
Other emoluments											
Salaries and other benefits	3,176	2,641	–	–	1,982	896	–	–	–	–	8,695
Retirement benefit scheme contributions	159	132	–	–	99	45	–	–	–	–	435
Others	–	87	–	–	–	–	–	–	–	–	87
Total emoluments	3,335	2,860	190	6	2,081	941	150	240	240	240	10,283

No emolument was paid by the Group to any of the directors as inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Li Shaofeng waived emoluments of HK$3,150,000 (2012: Nil) during the year ended 31 December 2013.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: four) were directors of the Company whose emoluments are included in the disclosures above. For the year ended 31 December 2012, one of the directors with highest emoluments in the Group appointed and resigned as director with effect from 1 April 2012 and 14 September 2012 respectively and his remuneration as director is included in (a) above.

For the year ended 31 December 2012, the emoluments of the remaining one individual and the resigned director (excluding those emolument he received/receivable during his directorship) are as below. For the year ended 31 December 2013, the emoluments of the remaining three individuals are as follows:

	2013	2012
	HK$'000	HK$'000
Salaries and other benefits	**2,966**	1,491
Retirement benefit scheme contributions	**131**	17
Discretionary bonus	**412**	–
	3,509	1,508

For the year ended 31 December 2013, the emoluments of the remaining three individuals (2012: one individual and the resigned director (excluding those emoluments he received/receivable during his directorship)), were within the following bands:

	Number of individuals	
	2013	2012
HK$0 to HK$1,000,000	**–**	1
HK$1,000,001 to HK$2,000,000	**3**	1
	3	2

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(c) Executive directors' emoluments

Two (2012: four) executive directors of the Company constitute senior management of the Company, their emoluments were within the following bands:

	2013	2012
HK$0 to HK$1,000,000	**–**	1
HK$2,000,001 to HK$3,000,000	**1**	2
HK$3,000,001 to HK$4,000,000	**1**	1
	2	4

13. DIVIDENDS

No interim or final dividend was paid or proposed for the years ended 31 December 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Loss		
Loss for the purposes of calculation of basic and diluted loss per share	**(16,590)**	(299,686)

	THE GROUP	
	2013	2012
Number of shares		
Number of ordinary shares for the purposes of calculation of basic and diluted loss per share	**1,922,900,556**	1,922,900,556

14. LOSS PER SHARE (continued)

For the year ended 31 December 2013, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

For the year ended 31 December 2012, the computation of diluted loss per share does not assume the exercise of (i) the Company's outstanding share options and (ii) the share option granted by the Company's subsidiary outstanding during the year ended 31 December 2012 since their exercise would result in a decrease in loss per share.

15. INVESTMENT PROPERTIES

	THE GROUP HK$'000
AT FAIR VALUE	
At 1 January 2012	31,491
Net increase in fair value recognised in profit or loss	4,696
At 31 December 2012	36,187
Reclassified from property, plant and equipment	5,930
Exchange realignment	325
Net increase in fair value recognised in profit or loss	4,465
At 31 December 2013	46,907

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

The fair values of the Group's investment properties as at 31 December 2013 and 2012 have been arrived at on the basis of valuations carried out on that date by Grant Sherman Appraisal Limited ("Grant Sherman") and Vigers Appraisal & Consulting Limited ("Vigers"), respectively, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity and there has been no change from the valuation technique used in the prior year.

15. INVESTMENT PROPERTIES (continued)

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

Market comparable approach has been adopted for valuing the Group's industrial property unit and residential property units.

One of the key inputs used in valuing the Group's industrial property unit and residential property units was the price per square foot, which was approximately HK$4,000 per square foot and ranged from HK$22,700 to HK$33,900 per square meter respectively. An increase in the price per square foot/square meter used would result in an increase in fair value measurement of the industrial property unit and residential property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3	**Fair value**
	HK$'000	HK$'000
Industrial property unit located in Hong Kong	29,100	29,100
Residential property units located in the PRC	17,807	17,807
	46,907	46,907

There were no transfers into or out of Level 3 during the year.

The carrying amounts of investment properties shown above comprise land and buildings in Hong Kong and other regions in the PRC were as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Long-term lease in Hong Kong	**29,100**	26,000
Medium-term lease in other regions in the PRC	**11,574**	10,187
Long-term lease in other regions in the PRC	**6,233**	–
	46,907	36,187

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2012	382,477	3,747	2,062,490	28,201	27,500	285,554	2,789,969
Exchange realignment	(68)	–	(379)	(5)	(4)	(53)	(509)
Additions	597	193	1,982	1,804	–	45,439	50,015
Reclassification	2,825	–	282,809	128	–	(285,762)	–
Disposals	(605)	–	(844)	(357)	(1,441)	–	(3,247)
Adjustment on revaluation	279	–	–	–	–	–	279
At 31 December 2012	385,505	3,940	2,346,058	29,771	26,055	45,178	2,836,507
Exchange realignment	11,464	78	72,386	844	659	2,049	87,480
Additions	515	939	5,355	644	68	17,544	25,065
Reclassification	4,123	–	9,098	1,403	–	(14,624)	–
Reclassified to investment property	(6,026)	–	–	–	–	–	(6,026)
Disposals	–	–	(2,976)	(616)	(1,133)	–	(4,725)
Adjustment on revaluation	(4,478)	–	–	–	–	–	(4,478)
At 31 December 2013	391,103	4,957	2,429,921	32,046	25,649	50,147	2,933,823
Comprising:							
At 31 December 2013							
At cost	–	4,957	2,429,921	32,046	25,649	50,147	2,542,720
At valuation	391,103	–	–	–	–	–	391,103
	391,103	4,957	2,429,921	32,046	25,649	50,147	2,933,823
At 31 December 2012							
At cost	–	3,940	2,346,058	29,771	26,055	45,178	2,451,002
At valuation	385,505	–	–	–	–	–	385,505
	385,505	3,940	2,346,058	29,771	26,055	45,178	2,836,507

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	–	2,091	643,898	11,882	14,620	–	672,491
Exchange realignment	–	1	(104)	(1)	–	–	(104)
Provided for the year	22,870	579	129,819	4,264	3,734	–	161,266
Impairment loss recognised in profit or loss	–	–	53,134	440	314	2,112	56,000
Eliminated on disposals	(339)	–	(745)	(203)	(1,189)	–	(2,476)
Write back on revaluation	(22,531)	–	–	–	–	–	(22,531)
At 31 December 2012	–	2,671	826,002	16,382	17,479	2,112	864,646
Exchange realignment	(149)	52	25,621	509	445	–	26,478
Provided for the year	24,126	640	109,631	4,246	3,308	–	141,951
Eliminated on disposals	–	–	(2,553)	(559)	(947)	–	(4,059)
Reclassified to investment property	(96)	–	–	–	–	–	(96)
Write back on revaluation	(23,881)	–	–	–	–	–	(23,881)
At 31 December 2013	–	3,363	958,701	20,578	20,285	2,112	1,005,039
CARRYING VALUES							
At 31 December 2013	391,103	1,594	1,471,220	11,468	5,364	48,035	1,928,784
At 31 December 2012	385,505	1,269	1,520,056	13,389	8,576	43,066	1,971,861

Note: In the opinion of the directors, the lease payments cannot be allocated reliably between the land and building elements of the properties located in Hong Kong. Thus, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	25 to 50 years, or over the terms of the leases, whichever is shorter
Leasehold improvements	18% – 20%
Plant and machinery	4% – 20%
Furniture, fixtures and equipment	9% – 20%
Motor vehicles	11% – 20%

During the year ended 31 December 2013, the management conducted a review of the property, plant and equipment of Tengzhou Eastern Steel Cord Co., Ltd. ("TESC"), a wholly-owned subsidiary of the Company and determined that there are no impairment to these assets. The recoverable amount of the relevant assets have been determined on the basis of their value in use. The calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 9.97%. The cash flow of TESC beyond the five-year period is extrapolated for twenty years using zero growth rate. The recoverable amount of TESC as at 31 December 2013 is determined to be approximately HK$1,245 million, which is higher than the carrying amount.

Impairment losses recognised during the year ended 31 December 2012:

During the year ended 31 December 2012, as the result of the unexpected unfavourable performance of TESC, the management conducted an impairment assessment of the property, plant and equipment of TESC individually. If it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of the CGU to which the property, plant and equipment belong. The management considers that the recoverable amount of the individual property, plant and equipment cannot be determined if (i) the value in use of the asset cannot be estimated to be close to its fair value less costs to sell, and (ii) the asset does not generate cash inflows that are largely independent of those from other assets. TESC is considered as a CGU for the purpose of the impairment test. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

The recoverable amount of TESC as at 31 December 2012 was 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 rate used for the value in use calculations is at 10.33%. Cash flow beyond the five-year period is extrapolated for twenty-one years using a zero growth rate. Other key assumptions for the value in use calculations related 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.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 December 2012, an impairment loss of HK$56,000,000 recognised in the profit or loss of which (i) HK$53,134,000 was allocated to plant and machinery; (ii) HK$440,000 was allocated to furniture, fixtures and equipment; (iii) HK$314,000 was allocated to motor vehicles; and (iv) HK$2,112,000 was allocated to construction in progress on a pro rata basis with reference to their respective carrying amounts before impairment. The impairment loss has been included in other gains and losses in profit or loss.

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
The carrying value of leasehold land and buildings comprises:		
Leasehold land and buildings in Hong Kong:		
Long lease	**3,900**	3,500
Medium-term lease	**10,850**	10,000
Buildings in other regions in the PRC	**376,353**	372,005
	391,103	385,505

As at 31 December 2013 and 2012, the leasehold land and buildings of the Group were valued by Grant Sherman and Vigers, respectively, independent qualified professional valuers not related to the Group.

The fair value of the leasehold land and buildings was determined based on either: (i) an open market value basis by reference to recent market transactions for comparable properties or (ii) on basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales method.

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

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table gives information about how the fair values of these leasehold land and properties determined (in particular, the valuation techniques and input used).

Leasehold land and buildings	Carrying value as at 31 December 2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Sensitivity
Industrial properties in Hong Kong	14,750	Level 3	Market Comparable Approach The key input is price per square foot.	Price per square foot, based on recent market transactions for comparable properties which ranged from HK$4,000 to HK$4,400 per square foot.	An increase in the price per square foot used would result in an increase in fair value measurement of the property, and vice versa.
Commercial property in the PRC	1,018	Level 3	Market Comparable Approach The key input is price per square meter.	Price per square meter, based on recent market transactions for comparable properties which was approximately HK$22,900 per square meter.	An increase in the price per square meter used would result in an increase in fair value measurement of the property, and vice versa.
Industrial properties in the PRC	375,335	Level 3	Depreciated Replacement Cost Approach The key inputs are: (1) Unit replacement cost; and (2) Adopted depreciation rate.	Unit replacement cost, based on current cost of replacement (reproduction) of a property which ranged from HK$969 to HK$2,175 per square meter. Adopted depreciation rate, based on valuer's professional judgement.	If the unit replacement cost to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would increase/decrease by approximately HK$18.8 million respectively. If the adopted depreciation rate to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would decrease/increase by approximately HK$1.7 million respectively.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the Group's leasehold land and buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 3 HK$'000	**Fair value** HK$'000
Industrial property units located in Hong Kong	14,750	14,750
Commercial property unit located in the PRC	1,018	1,018
Industrial property units located in the PRC	375,335	375,335
	391,103	391,103

There were no transfers into or out of Level 3 during the year.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$343,873,000 (2012: HK$346,770,000).

Applications for property ownership certificates of the buildings located in the PRC with aggregate carrying values of approximately HK$102,827,000 (2012: HK$102,978,000) are still in the progress as at 31 December 2013. In spite of the above, the directors of the Company are of the opinion that the Group has acquired the beneficial title of those properties and legal titles will be obtained in due time.

17. PREPAID LEASE PAYMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Medium-term leasehold land located in the PRC analysed for reporting purposes as:		
Current asset	**8,728**	8,463
Non-current asset	**187,325**	190,100
	196,053	198,563

At 31 December 2013, included in prepaid lease payments was land use rights with carrying amount of HK$91,910,000 (2012: HK$92,708,000) which the Group was in the process of obtaining the land use right certificates.

18. INVESTMENTS IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**63,552**	63,552
Capital contributions	**438,822**	417,783
	502,374	481,335
Advances to subsidiaries	**1,346,944**	1,213,295

Capital contributions represent financial liability on financial guarantees provided to subsidiaries and imputed interest on interest-free advances to subsidiaries.

Except for (i) balance with a subsidiary of HK$15,372,000 (2012: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2012: LIBOR plus 3%) per annum as at 31 December 2013, and (ii) balance with a subsidiary of HK$34,176,000 (2012: HK$34,176,000) which bears interest at Hong Kong Dollar Prime Rate (2012: Hong Kong Dollar Prime Rate) per annum as at 31 December 2013, the remaining balances are interest free. In the opinion of the directors, the Company will not demand repayment within one year from the end of the reporting period and advances to subsidiaries are therefore considered as non-current. Such interest-free loans are measured at amortised cost determined using the effective interest method. As at 31 December 2013, the effective interest rates used were within a range of 3.41% to 5.00% per annum (2012: 3.73% to 7.75% per annum), being the prevailing market borrowing rates for a similar instrument.

Details of the Company's principal subsidiaries at 31 December 2013 are set out in Note 43.

19. GOODWILL

The carrying value of goodwill at the end of the reporting period was approximately HK$41,672,000 for both years.

For the purposes of impairment testing, goodwill has been allocated to one CGU, comprising a subsidiary in the steel cord segment, Jiaxing Eastern Steel Cord Co., Ltd. ("JESC").

During the year ended 31 December 2013, the management of the Group determined that there was no impairment of the CGU containing goodwill.

19. GOODWILL (continued)

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 9.97% (2012: 10.33%). The cash flow of CGU beyond the five-year period is extrapolated using a zero growth rate. The management expected that the business license of JESC can be extended for another thirty years with minimal cost incurred upon its expiry in July 2024. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin and other direct costs, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

20. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club memberships, at cost	**2,206**	2,126	**1,016**	936
Exchange realignment	**12**	30	**12**	31
Less: impairment losses	**(1,456)**	(1,406)	**(626)**	(576)
	762	750	**402**	391

21. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Raw materials	**127,319**	90,170
Work in progress	**66,357**	50,424
Finished goods	**130,640**	152,091
	324,316	292,685

22. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**710,189**	558,015
Less: allowance for bad and doubtful debts	**(47,374)**	(59,535)
	662,815	498,480
Bills receivable	**644,472**	525,956
	1,307,287	1,024,436

The Group normally allows credit periods of 30 to 90 days to its trade customers.

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period presented based on sales invoice dates, which approximated the respective revenue recognition dates, is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
0 – 90 days	**521,771**	390,454
91 – 180 days	**115,045**	89,952
Over 180 days	**25,999**	18,074
	662,815	498,480

22. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

An aged analysis of bills receivable at the end of the reporting period based on sales invoice date is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
0 – 90 days	**46,960**	17,165
91 – 180 days	**258,042**	184,653
Over 180 days	**339,470**	324,138
	644,472	525,956

At the end of the reporting period, all bills receivable are with maturity date within one year based on the issuance date of relevant bills.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. For trade receivables that are neither past due nor impaired as at the end of the reporting period, approximately 90% of which have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivables balances are debtors with an aggregate carrying amount of approximately HK$257,844,000 (2012: HK$155,491,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as they have been substantially settled subsequent to the end of the reporting period or there were no historical default of payments by the respective customers. The Group does not hold any collateral over these balances.

22. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

An aged analysis of trade receivables which are past due but not impaired based on the due date is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
0 – 90 days	**228,582**	130,635
91 – 180 days	**14,448**	16,132
Over 180 days	**14,814**	8,724
	257,844	155,491

Movement in the allowance for bad and doubtful debts:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Balance at beginning of the year	**59,535**	12,704
Exchange realignment	**1,740**	190
Amount written off as uncollectible	**(1,138)**	(4,411)
Impairment losses (reversed) recognised on receivables	**(12,763)**	51,052
Balance at end of the year	**47,374**	59,535

23. TRANSFERS OF FINANCIAL ASSETS

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

THE GROUP

As at 31 December 2013

	Bills receivable discounted to banks with full recourse HK$'000	**Bills receivable endorsed to suppliers with full recourse HK$'000**
Carrying amount of bills receivable	**1,272**	**277,529**
Carrying amount of associated secured borrowings	**(1,272)**	**–**
Carrying amount of associated trade payables	**–**	**(226,543)**
Carrying amount of associated other payables	**–**	**(50,986)**

As at 31 December 2012

	Bills receivable discounted to banks with full recourse HK$'000	Bills receivable endorsed to suppliers with full recourse HK$'000
Carrying amount of bills receivable	6,166	176,904
Carrying amount of associated secured borrowings	(6,166)	–
Carrying amount of associated trade payables	–	(109,616)
Carrying amount of associated other payables	–	(67,288)

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables are unsecured and interest free. Except for value added tax receivables of approximately HK$119,060,000 (2012: HK$144,982,000) as at 31 December 2013, the remaining balances are repayable on demand.

25. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured, interest free and repayable within one year.

26. PLEDGE OF ASSETS

At the end of the reporting period, the following assets are pledged to secure certain bank borrowings as set out in Note 30:

(i) the Group's leasehold land and buildings with an aggregate net book value of HK$10,850,000 (2012: HK$10,000,000);

(ii) the Group's certain prepaid lease payments with an aggregate net book value of HK$87,712,000 (2012: HK$88,474,000); and

(iii) the equity interests in certain subsidiaries of the Company.

27. BANK BALANCES AND CASH

THE GROUP

Bank balances carry interest at market rates which ranging from 0.01% to 0.35% per annum (2012: 0.01% to 1.49% per annum). At the end of the reporting period, the bank balances and cash that are denominated in currencies other than the functional currency of respective group entities are set out below:

	Denominated in		
	HKD	**USD**	**Others**
	HK$'000	HK$'000 Equivalent	HK$'000 Equivalent
As at 31 December 2013	9,607	35,926	365
As at 31 December 2012	23,682	39,362	3,829

27. BANK BALANCES AND CASH (continued)

THE COMPANY

Bank balances carry interest at market rates which ranging from 0.01% to 0.25% per annum (2012: 0.01% per annum). At the end of the reporting period, bank balances and cash that are denominated in currencies other than the functional currency of the Company are set out below:

	Denominated in	
	HKD	**USD**
	HK$'000	HK$'000 Equivalent
As at 31 December 2013	3,464	10
As at 31 December 2012	13,064	14,052

28. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of trade payables at the end of the reporting period based on purchase invoice date is as follows:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
0 – 30 days	**151,522**	89,633
31 – 90 days	**119,584**	61,965
91 – 180 days	**64,522**	40,082
181 – 365 days	**7,560**	6,655
Over 1 year	**2,262**	730
	345,450	199,065

The average credit period on purchases of goods is 30 days.

Included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$124,773,000 (2012: HK$172,310,000).

29. LOAN FROM A RELATED COMPANY

The amount as at 31 December 2012 represents loan from Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK"). The Company is an associate of Shougang HK. The loan was unsecured, bore interest at 6% per annum and was fully repaid during the year ended 31 December 2013.

30. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**26,040**	32,071	**–**	–
Other bank loans	**1,394,660**	1,223,690	**704,479**	380,589
Discounted bills with recourse	**1,272**	6,166	**–**	–
	1,421,972	1,261,927	**704,479**	380,589
Secured	**54,348**	245,364	**6,604**	106,289
Unsecured	**1,367,624**	1,016,563	**697,875**	274,300
	1,421,972	1,261,927	**704,479**	380,589

30. BANK BORROWINGS (continued)

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**558,251**	525,599	**105,729**	124,689
In the second year	**322,430**	221,269	**99,959**	6,558
In the third to fifth year inclusive	**–**	215,717	**–**	–
	880,681	962,585	**205,688**	131,247
Carrying amount of bank loans contain a repayment on demand clause:				
– within one year	**107,000**	256,842	**89,500**	249,342
– in the second year	**284,500**	17,500	**259,500**	–
– in the third to fifth year inclusive	**149,791**	25,000	**149,791**	–
	541,291	299,342	**498,791**	249,342
	1,421,972	1,261,927	**704,479**	380,589
Less: Amount shown under current liabilities	**(1,099,542)**	(824,941)	**(604,520)**	(374,031)
Amount shown under non-current liabilities	**322,430**	436,986	**99,959**	6,558

30. BANK BORROWINGS (continued)

As at 31 December 2013, the carrying amount of the Group's fixed-rate borrowings and variable rate borrowings are HK$262,795,000 (2012: HK$255,545,000) and HK$1,159,177,000 (2012: HK$1,006,382,000) respectively. As at 31 December 2013, the Company's bank borrowings of HK$704,479,000 (2012: HK$380,589,000) carries variable-rate.

The Group has variable-rate borrowings which carry interest at a premium over LIBOR, Hong Kong Interbank Offered Rate ("HIBOR") and the prevailing lending rate quoted by the People's Bank of China. The Company has variable-rate borrowings which carry interest at a premium over LIBOR and HIBOR.

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's and the Company's borrowings are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
Effective interest rate per annum:				
Fixed-rate borrowings	**2.41% to 7.15%**	1.92% to 7.22%	**–**	–
Variable-rate borrowings	**1.88% to 7.07%**	1.90% to 7.07%	**1.88% to 4.13%**	1.90% to 3.65%

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

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**767,649**	386,371	**697,875**	274,300
USD	**89,007**	106,289	**6,604**	106,289

31. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Deferred tax assets	**(1,151)**	(5,942)
Deferred tax liabilities	**28,873**	21,556
	27,722	15,614

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

THE GROUP	Accelerated tax depreciation	Allowance for bad and doubtful debts	Allowance for inventories	Revaluation of properties	Tax loss	Withholding tax on distributable profits of subsidiaries in the PRC	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	594	(3,146)	373	6,622	(8,554)	23,442	3,216	22,547
Exchange realignment	–	1	–	(45)	5	–	(1)	(40)
(Credit) charge to profit or loss for the year	(451)	(3,816)	(262)	294	(2,273)	(5,275)	(358)	(12,141)
Charge to equity for the year	–	–	–	5,248	–	–	–	5,248
At 31 December 2012	143	(6,961)	111	12,119	(10,822)	18,167	2,857	15,614
Exchange realignment	1,080	(427)	(242)	108	(517)	–	–	2
Charge (credit) to profit or loss for the year	1,781	3,451	(402)	802	(1,908)	1,693	(357)	5,060
Charge to equity for the year	–	–	–	7,046	–	–	–	7,046
At 31 December 2013	3,004	(3,937)	(533)	20,075	(13,247)	19,860	2,500	27,722

31. DEFERRED TAX (continued)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$457,887,000 (2012: HK$393,971,000) available for offset against future profits. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$73,909,000 (2012: HK$88,117,000). A deferred tax asset has been recognised in respect of approximately HK$17,880,000 (2012: HK$27,844,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining deductible temporary differences of approximately HK$56,029,000 (2012: HK$60,273,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The Company had no significant deferred taxation for the year or at the end of the reporting period.

32. SHARE CAPITAL

	2013 and 2012	
	Number of shares	**Nominal value**
	'000	HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January and 31 December	5,000,000	500,000
Issued and fully paid:		
At 1 January and 31 December	1,922,901	192,290

33. RESERVES

THE COMPANY	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	996,784	23,990	2,724	170,322	33,858	229,520	1,457,198
Profit for the year	–	–	–	–	–	42,403	42,403
Translation adjustment	–	–	–	(286)	–	–	(286)
Total comprehensive (expense) income for the year	–	–	–	(286)	–	42,403	42,117
Lapse/cancellation of share options	–	–	–	–	(1,511)	1,511	–
At 31 December 2012	996,784	23,990	2,724	170,036	32,347	273,434	1,499,315
Profit for the year	–	–	–	–	–	25,220	25,220
Translation adjustment	–	–	–	37,774	–	–	37,774
Total comprehensive income for the year	–	–	–	37,774	–	25,220	62,994
Lapse of share options	–	–	–	–	(267)	267	–
At 31 December 2013	996,784	23,990	2,724	207,810	32,080	298,921	1,562,309

The capital reserve of the Company represents the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

34. 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 overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 30, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debts.

35. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**1,457,858**	1,213,691	**1,960,597**	1,724,014
Financial liabilities				
Amortised cost	**1,907,610**	1,777,453	**708,810**	514,346

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, bills receivable, other receivables, advances to subsidiaries, amounts due from subsidiaries, bank balances and cash, trade payables, other payables, loan from a related company and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Certain bank balances and cash, trade receivables, other receivables, amounts due from subsidiaries, advance to subsidiaries, trade payables, other payables and bank borrowings of the Group and the Company are denominated in currencies other than the functional currency of the relevant group entities. The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
	Equivalent	Equivalent	**Equivalent**	Equivalent
Monetary assets denominated in				
HKD	**24,981**	41,796	**1,385,507**	1,056,034
USD	**79,141**	69,766	**273,773**	334,348
Others	**14,636**	16,998	**–**	–
Monetary liabilities denominated in				
HKD	**771,332**	390,028	**702,174**	284,277
USD	**91,544**	107,420	**6,636**	106,742
Others	**1,157**	270	**–**	–

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis for non-derivative financial instruments

The Group and the Company are mainly exposed to the fluctuations in HKD and USD against RMB.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against HKD and USD. 5% is the sensitivity rate used which represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in the Group's pre-tax loss for both years where RMB appreciates 5% against the relevant currency. A negative number below indicates a decrease in the Company's pre-tax profit for both years where RMB appreciates 5% against the relevant currency. For a 5% depreciation of RMB against the relevant currency, there would be an equal and opposite impact on the pre-tax results.

	HKD		**USD**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Decrease in loss	**37,318**	17,412	**620**	1,883
THE COMPANY				
Decrease in profit	**(34,167)**	(38,588)	**(13,357)**	(11,380)

35. FINANCIAL INSTRUMENTS (continued)

b. 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 deposits (see Note 27) and fixed-rate borrowings (see Note 29 and 30 for details of these borrowings). The Group and the Company currently do not have any fair value interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 30 for details of these borrowings). The Company is exposed to cash flow interest rate risk in relation to variable-rate advances to subsidiaries (see Note 18 for details of these advances) and variable-rate bank borrowings (see Note 30 for details of these borrowings). It is the Group's and the Company's policy to reduce its exposure to cash flow interest rate risk for borrowings by hedging should the need arise.

The Group's and the Company's exposure to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the People's Bank of China's lending rate, HIBOR and LIBOR arising from the Group's borrowings. The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of market rates arising from the Company's advances to subsidiaries and borrowings at variable rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate advances to subsidiaries and variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease for variable-rate advances to subsidiaries and variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period if interest rates had been 50 basis points (2012: 50 basis points) higher/lower for variable-rate bank borrowings, and all other variables were held constant, the Group's loss for the year ended 31 December 2013 and 2012 would increase/decrease by HK$5,796,000 and HK$5,032,000 respectively.

At the end of the reporting period if interest rates had been 50 basis points (2012: 50 basis points) higher/lower for variable-rate advances to subsidiaries and variable-rate bank borrowings, and all other variables were held constant, the Company's profit for the years ended 31 December 2013 and 2012 would decrease/increase by HK$3,275,000 and HK$1,655,000 respectively.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counterparties 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 disclosed in Note 39.

In order to minimise the credit risk, the management of the Group and the Company 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 and the Company review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risks of the Group and the Company are significantly reduced.

The credit risk on bank balances and bills receivable is limited because the counterparties are reputable banks in the PRC and Hong Kong.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 89.2% (2012: 89.7%) of the total trade receivables as at 31 December 2013.

The Company's concentration of credit risk is on advances to subsidiaries and amounts due to subsidiaries. The Company manages this risk by monitoring the cash flow position of the subsidiaries.

Liquidity risk

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 and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2013, the Group has available undrawn borrowing facilities of approximately HK$106,172,000 (2012: HK$103,523,000).

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's and the Company's remaining contractual maturity for its 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

Liquidity and interest rate risk tables

THE GROUP

	Weighted average effective interest rate % (Note)	On demand HK$'000	Less than 3 months HK$'000	4 – 6 months HK$'000	7 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013								
Non-derivative financial liabilities								
Trade and other payables	–	–	485,638	–	–	–	485,638	485,638
Bank borrowings								
– fixed rate	4.72	–	110,841	144,095	13,057	–	267,993	262,795
– variable rate	4.08	541,291	6,179	19,226	281,525	348,721	1,196,942	1,159,177
		541,291	602,658	163,321	294,582	348,721	1,950,573	1,907,610

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

	Weighted average effective interest rate % (Note)	On demand HK$'000	Less than 3 months HK$'000	4 – 6 months HK$'000	7 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Non-derivative financial liabilities								
Trade and other payables	–	–	392,199	–	–	–	392,199	392,199
Loan from a related company	6.00	–	–	–	130,727	–	130,727	123,327
Bank borrowings								
– fixed rate	5.34	–	67,927	86,995	109,322	–	264,244	255,545
– variable rate	5.05	299,342	87,836	53,132	138,130	481,122	1,059,562	1,006,382
		299,342	547,962	140,127	378,179	481,122	1,846,732	1,777,453

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

THE COMPANY

	Weighted average effective interest rate % (Note)	On demand HK$'000	Less than 3 months HK$'000	4 – 6 months HK$'000	7 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013								
Non-derivative financial liabilities								
Other payables	–	–	1,786	–	–	–	1,786	1,786
Financial guarantee contracts	–	875,541	–	–	–	–	875,541	2,545
Bank borrowings – variable rate	2.80	498,791	6,398	–	102,158	105,556	712,903	704,479
		1,374,332	8,184	–	102,158	105,556	1,590,230	708,810

	Weighted average effective interest rate % (Note)	On demand HK$'000	Less than 3 months HK$'000	4 – 6 months HK$'000	7 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Non-derivative financial liabilities								
Other payables	–	–	1,581	–	–	–	1,581	1,581
Financial guarantee contracts	–	914,301	–	–	–	–	914,301	8,849
Loan from a related company	6.00	–	–	–	130,727	–	130,727	123,327
Bank borrowings – variable rate	2.78	249,342	33,137	34,050	59,817	6,922	383,268	380,589
		1,163,643	34,718	34,050	190,544	6,922	1,429,877	514,346

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the end of the reporting period.

35. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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 than not 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.

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2013, the aggregate carrying amount of these bank loans of the Group and the Company amounted to HK$541,291,000 (2012: HK$299,342,000) and HK$498,791,000 (2012: HK$249,342,000) respectively. Taking into account the Group's and the Company's financial position, the directors do not believe that the banks will exercise their discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, the directors review the expected cash flow information of the Group's and the Company's bank borrowings carried variable interest rates based on the scheduled repayment dates set out in the bank loan agreements as set out in the table below:

THE GROUP

	Weighted average effective interest rate	Less than 3 months	3 months to less than 1 year	1 year to less than 2 years	2 years to less than 3 years	Total undiscounted cash flows	Carrying amount as at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings – variable rate							
2013	2.56	7,548	102,046	299,061	161,291	569,946	541,291
2012	2.94	4,029	260,275	18,529	27,205	310,038	299,342

THE COMPANY

	Weighted average effective interest rate	Less than 3 months	3 months to less than 1 year	1 year to less than 2 years	2 years to less than 3 years	Total undiscounted cash flows	Carrying amount as at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings – variable rate							
2013	2.36	–	91,613	271,754	160,401	523,768	498,791
2012	2.55	–	255,701	–	–	255,701	249,342

35. FINANCIAL INSTRUMENTS (continued)

c. Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

36. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of land and buildings during the year	**6,875**	5,586

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:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within one year	**4,772**	6,240
In the second to fifth year inclusive	**2,486**	6,562
	7,258	12,802

Operating lease payments represents rental payable by the Group for certain of its offices, factory premises and staff quarters. Leases are negotiated for terms of one to seven years.

36. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was HK$1,412,000 (2012: HK$976,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,541**	801
In the second to fifth year inclusive	**1,305**	852
	2,846	1,653

The Company had no commitment under operating leases at the end of the reporting period.

37. CAPITAL COMMITMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the consolidated financial statements	**397**	5,178
– authorised but not contracted for	**25,310**	–
	25,707	5,178

The Company did not have any significant commitments at the end of the reporting period.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2013, the Group acquired property, plant and equipment of HK$25,065,000 (2012: HK$50,015,000) of which approximately HK$10,920,000 (2012: HK$15,544,000) has not been paid and was included in other payables and accruals as at 31 December 2013.

During the year ended 31 December 2013, deposit paid for the acquisition of property, plant and equipment as at 31 December 2012 amounting to approximately HK$1,780,000 was used to offset the consideration for acquisition of property, plant and equipment during the year ended 31 December 2013. During the year ended 31 December 2012, deposit paid for the acquisition of property, plant and equipment as at 31 December 2011 amounting to approximately HK$4,662,000 was used to offset the consideration for acquisition of property, plant and equipment.

During the year ended 31 December 2013, bills receivable of approximately HK$109,616,000 endorsed to certain creditors of the Group as at 31 December 2012 to settle the payable for acquisition of property, plant and equipment were matured. During the year ended 31 December 2012, bills receivable of approximately HK$75,766,000 endorsed to certain creditors of the Group as at 31 December 2011 to settle the payable for acquisition of property, plant and equipment were matured.

During the year ended 31 December 2013, bills receivable discounted to bank with full recourse of approximately HK$41,067,000 (2012: HK$114,990,000) were matured.

39. CONTINGENT LIABILITIES

	THE GROUP		**THE COMPANY**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of banking facilities to subsidiaries				
– amount guaranteed	**–**	–	**875,541**	914,301
– amount utilised	**–**	–	**769,369**	816,193

As at 31 December 2013, an amount of approximately HK$2,545,000 (2012: HK$8,849,000) has been recognised in respect of the financial guarantee provided to subsidiaries in the Company's statement of financial position as other payables. The amount as at 31 December 2012 represents the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policy.

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme with maximum amount of HK$1,250 per month per employee (HK$1,000 per month per employee prior to 1 June 2012) (save for the directors of the Company), which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the respective local municipal government. These PRC subsidiaries are required to contribute 9% to 21% (2012: 7% to 22%) of its basic payroll costs to the scheme/fund. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme/fund.

41. SHARE-BASED PAYMENT TRANSACTIONS

(a) The Company's share option scheme

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the board of directors (the "Board") of the Company shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. A new share option scheme (the "2012 Scheme") was adopted and the 2002 Scheme was terminated by the shareholders of the Company at the annual general meeting held on 25 May 2012.

The 2012 Scheme became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted.

The share options which have been granted and remained outstanding under the 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) The Company's share option scheme (continued)

The Company operates the 2002 Scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group or potential contribution to the Group. Eligible participants of the 2002 Scheme include any director (including executive and independent non-executive), executive, officer, employee or shareholder of the Company or any of the subsidiaries or any of the associates or any of the jointly controlled entities and any supplier, customer, consultant, adviser, agent, partner or business associate, who will contribute or has contributed to the Group. The 2012 Scheme serves the same purpose as the 2002 Scheme to provide incentives and rewards to qualifying grantees.

Qualifying grantees of the 2012 Scheme include any director (including executive, non-executive and independent non-executive), executive, officer, employee, shareholder of the Company or any of the subsidiaries or any of the associated companies or any of the jointly controlled entities and any supplier, customer, consultant, adviser, agent, partner or business associate, who will contribute or has contributed to the development and growth of the Group. Unless otherwise cancelled or amended, the 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

The maximum number of unexercised share options currently permitted to be granted under the 2012 Scheme is 192,290,055 shares which represented 10% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares issuable under the share options to each qualifying grantee in the 2012 Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue under the 2012 Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options under the 2012 Scheme may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. An option may be exercised under the 2002 Scheme and 2012 Scheme at any time within 10 years from the date of grant of the options or may be determined by the Board at its absolute discretion. The minimum period for which an option must be held before it can be exercised will be determined by the Board at its discretion.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) The Company's share option scheme (continued)

The exercise price per share in relation to an option under the 2002 Scheme and 2012 Scheme shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an eligible participant/a qualifying grantee, which must be a business day; or (b) the official average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant/a qualifying grantee.

Pursuant to the 2002 Scheme and 2012 Scheme, share options held by any eligible participants/qualifying grantees will lapse automatically upon their termination of employment but the Board is empowered to extend the exercise period of the concerned share options at its discretion. Relevant exercise period of share options held by the eligible participant/qualifying grantee whose employment was terminated during the year was extended and approved by the Board. Such change does not constitute modification of the 2002 Scheme and 2012 Scheme.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

No share options were granted under the 2002 Scheme during the years ended 31 December 2013 and 2012. During the year ended 31 December 2013, no share options granted under the 2002 Scheme had been exercised while 148,182,000 share options lapsed. Also, no share options granted under the 2002 Scheme had been exercised while 100,000 and 10,178,000 share options had been cancelled and lapsed, respectively during the year ended 31 December 2012.

No share options were granted, exercised, cancelled or lapsed under the 2012 Scheme during the years ended 31 December 2013 and 2012.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) The Company's share option scheme (continued)

The following table discloses details of the Company's share options granted under 2002 Scheme held by eligible participants and movements in such holdings in relation to 2002 Scheme:

	Number of share options for 2013					
Grantees	At 1.1.2013	Lapsed during the year	At 31.12.2013	Date of grant (Note h)	Exercise period	Exercise price per share HK$
Directors of the Company	30,614,000	(30,614,000) (Note a)	–	25.6.2003	25.6.2003-24.6.2013	0.365
	4,974,000	(4,974,000) (Note a)	–	25.8.2003	25.8.2003-24.8.2013	0.740
	1,268,000	–	1,268,000	26.1.2007	26.1.2007-25.1.2017	0.656
	5,400,000	–	5,400,000	13.7.2009	13.7.2009-12.7.2019	0.680
	5,400,000	–	5,400,000 (Note j)	13.7.2009	1.1.2010-12.7.2019	0.680
	7,200,000	–	7,200,000 (Note j)	13.7.2009	1.1.2011-12.7.2019	0.680
	41,200,000	–	41,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	2,000,000	–	2,000,000	14.12.2010	14.12.2010-13.12.2020	0.940
	98,056,000	(35,588,000)	62,468,000			
Employees other than directors of the Company	38,268,000	(38,268,000) (Note b)	–	25.6.2003	25.6.2003-24.6.2013	0.365
	5,000,000	(5,000,000) (Note b)	–	25.8.2003	25.8.2003-24.8.2013	0.740
	34,200,000	–	34,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	100,000	–	100,000 (Note i)	28.1.2008	28.1.2011-27.1.2018	0.864
	1,350,000	–	1,350,000	13.7.2009	13.7.2009-12.7.2019	0.680
	1,350,000	–	1,350,000 (Note j)	13.7.2009	1.1.2010-12.7.2019	0.680
	1,800,000	–	1,800,000 (Note j)	13.7.2009	1.1.2011-12.7.2019	0.680
	82,068,000	(43,268,000)	38,800,000			
All other eligible participants	5,356,000	(5,356,000)	–	12.3.2003	12.3.2003-11.3.2013	0.325
	2,240,000	(2,240,000)	–	25.8.2003	25.8.2003-31.12.2012	0.740
	3,380,000	(3,380,000)	–	25.8.2003	25.8.2003-24.8.2013	0.740
	57,350,000	(57,350,000)	–	2.10.2003	2.10.2003-1.10.2013	0.780
	17,000,000	–	17,000,000	28.1.2008	28.1.2008-27.1.2018	0.864
	1,000,000	(1,000,000)	–	28.1.2008	28.1.2008-24.8.2013	0.864
	86,326,000	(69,326,000) (Note c)	17,000,000			
	266,450,000	(148,182,000)	118,268,000			
Exercisable at year end			118,268,000			
Weighted average exercise price	0.683	0.567	0.828			

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) The Company's share option scheme (continued)

Grantees	Number of share options for 2012				Date of grant (Note h)	Exercise period	Exercise price per share HK$
	At 1.1.2012	Reclassification of categories of grantees	Lapsed/ cancelled during the year	At 31.12.2012			
Directors of the Company	382,000	–	(382,000) (Note d)	–	23.8.2002	23.8.2002-22.8.2012	0.295
	30,614,000	–	–	30,614,000	25.6.2003	25.6.2003-24.6.2013	0.365
	4,974,000	–	–	4,974,000	25.8.2003	25.8.2003-24.8.2013	0.740
	1,268,000	–	–	1,268,000	26.1.2007	26.1.2007-25.1.2017	0.656
	5,400,000	–	–	5,400,000	13.7.2009	13.7.2009-12.7.2019	0.680
	5,400,000	–	–	5,400,000 (Note j)	13.7.2009	1.1.2010-12.7.2019	0.680
	7,200,000	–	–	7,200,000 (Note j)	13.7.2009	1.1.2011-12.7.2019	0.680
	41,200,000	–	–	41,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	2,000,000	–	–	2,000,000	14.12.2010	14.12.2010-13.12.2020	0.940
	98,438,000	–	(382,000)	98,056,000			
Employees other than directors of the Company	38,268,000 (Note e)	–	–	38,268,000	25.6.2003	25.6.2003-24.6.2013	0.365
	8,380,000	(3,380,000)	–	5,000,000	25.8.2003	25.8.2003-24.8.2013	0.740
	35,200,000	(1,000,000) (Note e)	–	34,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	200,000 (Note i)	–	(100,000) (Note i)	100,000	28.1.2008	28.1.2011-27.1.2018	0.864
	1,350,000	–	–	1,350,000	13.7.2009	13.7.2009-12.7.2019	0.680
	1,350,000	–	–	1,350,000 (Note j)	13.7.2009	1.1.2010-12.7.2019	0.680
	1,800,000	–	–	1,800,000 (Note j)	13.7.2009	1.1.2011-12.7.2019	0.680
	86,548,000	(4,380,000)	(100,000)	82,068,000			
All other eligible participants	2,296,000	–	(2,296,000)	–	23.8.2002	23.8.2002-22.8.2012	0.295
	5,356,000	–	–	5,356,000	12.3.2003	12.3.2003-11.3.2013	0.325
	1,500,000	–	(1,500,000) (Note k)	–	25.8.2003	25.8.2003-30.4.2012	0.740
	500,000	–	(500,000)	–	25.8.2003	25.8.2003-30.6.2012	0.740
	2,240,000	–	–	2,240,000 (Note g)	25.8.2003	25.8.2003-31.12.2012	0.740
	–	3,380,000 (Note e)	–	3,380,000	25.8.2003	25.8.2003-24.8.2013	0.740
	57,350,000	–	–	57,350,000	2.10.2003	2.10.2003-1.10.2013	0.780
	3,000,000	–	(3,000,000)	–	28.1.2008	28.1.2008-31.12.2011	0.864
	17,000,000	–	–	17,000,000	28.1.2008	28.1.2008-27.1.2018	0.864
	–	1,000,000 (Note e)	–	1,000,000	28.1.2008	28.1.2008-24.8.2013	0.864
	500,000	–	(500,000)	–	28.1.2008	28.1.2008-30.6.2012	0.864
	2,000,000	–	(2,000,000)	–	28.1.2008	28.1.2008-14.12.2012	0.864
	91,742,000	4,380,000	(9,796,000) (Note f)	86,326,000			
	276,728,000	–	(10,278,000)	266,450,000			
Exercisable at year end				266,450,000			
Weighted average exercise price	0.683	Not applicable	0.692	0.683			

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(a) The Company's share option scheme (continued)

Notes:

a. 30,614,000 share options held by Mr. Li Shaofeng, the chairman, lapsed with effect from 25/6/2013 and respective 4,592,000 and 382,000 share options held by Mr. Leung Shun Sang, Tony, non-executive director and Mr. Yip Kin Man, Raymond, independent non-executive directors, lapsed with effect from 25/8/2013.

b. The respective 38,268,000 and 5,000,000 share options lapsed with effect from 25/6/2013 and 25/8/2013.

c. Totalling of 69,326,000 outstanding share options held by all other eligible participants lapsed following the day of the end of respective exercise period during the year ended 31/12/2013.

d. 382,000 share options held by Mr. Yip Kin Man, Raymond lapsed with effect from 23/8/2012.

e. On 11/1/2012 and 20/2/2012, the Board approved the 2,140,000 and 2,240,000 outstanding share options held by two retired employees who are reclassified as "All other eligible participants" under the 2002 Scheme remain exercisable up to 24/8/2013.

f. Totalling of 9,796,000 outstanding share options held by all other eligible participants lapsed following the day of the end of respective exercise period during the year ended 31/12/2012.

g. On 19/12/2011, the Board approved the 2,240,000 outstanding share options held by a retired employee who is reclassified as "All other eligible participants" under the 2002 Scheme remain exercisable up to 31/12/2012.

h. The vesting period of the share options is from the date of grant to the beginning of the exercise period except for the share options set out under Notes (i) and (j) below.

i. 200,000 share options have a vesting period of three years from the date of grant and totalling of 100,000 share options were cancelled during the year ended 31/12/2012 due to resignation of an employee.

j. 5,400,000 share options have a vesting period from the date of grant to 31/12/2009 and 7,200,000 share options have a vesting period from the date of grant to 31/12/2010 under the category of "Directors of the Company". 1,350,000 share options have a vesting period from the date of grant to 31/12/2009 and 1,800,000 share options have a vesting period from the date of grant to 31/12/2010 under the category of "Employees other than the directors of the Company".

k. On 29/4/2010 and 16/5/2011, the Board approved the 1,500,000 outstanding share options held by a retired employee who is reclassified as "All other eligible participants" under the 2002 Scheme remained exercisable up to 30/4/2011 and 30/4/2012, respectively.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(b) Hing Cheong Metals (China & Hong Kong) Limited's share option scheme

On 30 April 2007, Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") has entered into an agreement with a director of Hing Cheong pursuant to which the director was granted an option to subscribe for up to 10% equity interest in one subsidiary of Hing Cheong, in order to recognise his valuable and potential contribution to the Company and its subsidiaries. The option vested immediately.

The option is exercisable in whole or in part (and in an integral multiple of 2% of the issued share capital of that Hing Cheong's subsidiary) at any time within the exercise period from 30 April 2007 to 29 April 2012 while the option lapsed on 30 April 2012. During the year ended 31 December 2012, no options were exercised, cancelled or lapsed. In addition, no share options were granted during the year ended 31 December 2012.

42. RELATED PARTY TRANSACTIONS/BALANCES

The Company is an associate of Shougang HK, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission. Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Group, will hereinafter be referred to as the "Shougang Group". Accordingly, the Group is significantly influenced by Shougang Group, which is part of a larger group of companies ultimately controlled by the PRC government.

Apart from the transactions with Shougang HK and its subsidiaries (collectively referred to as the "Shougang HK Group"), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

42. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(i) Transactions with PRC government-related entities

(a) Transactions with Shougang HK Group

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Consultancy fees paid to Shougang HK Group	**960**	960
Rental expenses paid to Shougang HK Group	**2,376**	1,800
Loan from Shougang HK Group	**150,000**	123,327
Loan repaid to Shougang HK Group	**276,124**	–
Interest expenses on loans from Shougang HK Group	**6,971**	5,054

(b) Transactions with other PRC government-related entities

The Group has entered into various transactions, including sales to, purchases from and other operating expenses paid to other PRC government-related entities. In the opinion of the directors of the Company, the transactions are considered as individually insignificant to the operation of the Group during the reporting period.

In addition, the Group has entered into various banking transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

(ii) Transactions with non-PRC government-related entities

Compensation of key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments and share-based payment transactions are disclosed in Notes 12 and 41, respectively. The emoluments of the directors of the Company are decided by the remuneration committee of the Company having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital	Attributable equity interest of the Group 2013	2012	Principal activities
Bigland Investment Limited	Hong Kong/PRC	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Eastern Century Metal Products Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Trading of metals and investment holding
Everwinner Investments Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Fair Win Development Limited	Hong Kong/PRC	500,000 ordinary shares of HK$1 each	**100%**	100%	Property investment
Heroland Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Hing Cheong Metals (China & Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%***	100%*	Processing and trading of copper and brass products
Jiaxing Eastern Steel Cord Co., Ltd.# 嘉興東方鋼簾線有限公司	PRC	US$70,000,000	**100%**	100%	Manufacturing of steel cords
Online Investments Limited	British Virgin Islands/ Hong Kong	31,000,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Tengzhou Eastern Steel Cord Co., Ltd. # 滕州東方鋼簾線有限公司	PRC	US$82,000,000	**100%**	100%	Manufacturing of steel cords

43. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital	Attributable equity interest of the Group 2013	Attributable equity interest of the Group 2012	Principal activities
Wei Hua International Trading (Shanghai) Co. Ltd.# 巍華國際貿易(上海)有限公司	PRC	US$5,000,000	**100%***	100%*	Trading of metal products
東莞興銅五金有限公司#	PRC	US$4,600,000	**100%**	100%	Processing and trading of copper and brass products
首長寶佳(上海)管理有限公司#	PRC	US$2,000,000	**100%**	100%	Provision of management services

\# A wholly foreign owned enterprise

* Directly held by the Company

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

SUMMARY OF INVESTMENT PROPERTIES

Particulars of the investment properties held by the Group as at 31 December 2013 are as follows:

	Property	Use	Group interest	Category of lease
1.	House 5 – 18 and carport District 5, Legend Garden Villas No. 89 Capital Airport Road Chaoyang District, Beijing PRC	Residential	100%	Medium term lease
2.	Workshop Nos. 15, 16, 17 and 18 on 12th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan, Hong Kong	Industrial and commercial	100%	Long term lease
3.	Workshop No. 10 on 6th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan, Hong Kong	Industrial and commercial	100%	Long term lease
4.	Apartment Unit 4-14-5, Level 2 Block 4-8, District 4 Legend Garden Villas No. 89 Capital Airport Road Chaoyang District, Beijing PRC	Residential	100%	Medium term lease
5.	Unit 5E on Level 5 and Car Park No. 39 on Level 2 Jinmin Building No. 8 Zunyi Road South Changning District, Shanghai PRC	Commercial	100%	Long term lease

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

"2002 Scheme"	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
"2012 scheme"	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
"Able Legend"	Able Legend Investments Limited, a subsidiary of Shougang HK
"Articles"	the Articles of Association of the Company
"Bekaert"	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder (as defined under the SFO) of the Company
"Bekaert Combustion"	Bekaert Combustion B.V., is the current registered Shareholder, a wholly owned subsidiary of Bekaert
"Bekaert Holding"	Bekaert Holding B.V., the old registered Shareholder and ceased to be a Shareholder after merged with Bekaert Combustion
"Board"	the board of Directors
"Board Diversity Policy"	Shougang Concord Century Holdings Limited Board Diversity Policy adopted on 26 August 2013 and revised from time to time thereafter
"Casula"	Casula Investments Limited, a subsidiary of Shougang International
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Codes on Promotion and Advertising"	Shougang Concord Century Holdings Limited Codes on Promotion and Advertising adopted in 2013 and revised from time to time thereafter
"Company"/"Shougang Century"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Contingency Plan Policy"	Contingency Plan for Market Rumours and Short Selling of the Securities of Shougang Concord Century Holdings Limited adopted in 2013 and revised from time to time thereafter
"Continuous Disclosure Obligation Policy"	Shougang Concord Century Holdings Limited Continuous Disclosure Obligation Policy adopted on 28 March 2011 and revised from time to time thereafter
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Fair Union"	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
"Group"	the Company and its subsidiaries
"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Internal Control Manual"	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
"JESC"	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"Li Ka Shing Foundation"	Li Ka Shing Foundation Limited, a "charitable body" within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial shareholder (as defined under the SFO) of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS

"PRC"	the People's Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
"Richson"	Richson Limited, a subsidiary of Shougang International
"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Code"	Model Code for Securities Transactions by Directors and Specified Individuals of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shareholders' Communication Policy"	Shougang Concord Century Holdings Limited Shareholders' Communication Policy adopted in 2012 and revised from time to time thereafter
"Shareholders' Rights"	Principal rights of Shareholders under the Articles and the Companies Ordinance listed as required under the Code
"Shougang Fushan"	Shougang Fushan Resources Group Limited (Stock Code: 639), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Shougang Grand"	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

"Shougang HK"	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder (as defined under the SFO) of the Company
"Shougang International"	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, a substantial shareholder (as defined under the SFO) of the Company
"Shougang Technology"	Shougang Concord Technology Holdings Limited (Stock Code: 521), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Steel cord"	manufacturing of steel cords for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TESC"	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"USD/US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.
"東莞興銅"	東莞興銅五金有限公司, a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company