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首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$12,756 million, down 16.4% from last year.

– Loss attributable to shareholders was HK$1,641 million.

– Loss per share was 18.32 HK cents.

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 with comparative figures for the year ended 31 December 2013. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	**For the year ended 31 December** **2014** **HK$'000**	2013 HK$'000
Revenue	*4*	**12,756,187**	15,266,361
Cost of sales		**(13,261,124)**	(16,116,678)
Gross loss		**(504,937)**	(850,317)
Other income	*5*	**94,931**	65,902
Other gains and losses	*6*	**(351)**	(166,582)
Change in fair value of derivative financial instruments		**(22,943)**	95,273
Distribution and selling expenses		**(113,520)**	(90,987)
Administrative expenses		**(486,452)**	(466,504)
Finance costs	*7*	**(773,125)**	(802,085)
Share of results of associates		**(236,043)**	281,803
Loss before taxation		**(2,042,440)**	(1,933,497)
Income tax credit (expense)	*8*	**4,068**	(11,259)
Loss for the year	*9*	**(2,038,372)**	(1,944,756)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**33,707**	5,505
Fair value (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income		**(58,447)**	1,608
Share of exchange differences of an associate arising on translation to presentation currency		**(2,573)**	23,188
Share of fair value losses on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**(253,289)**	(1,655)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**(52,902)**	73,984
Other comprehensive (expense) income for the year		**(333,504)**	102,630
Total comprehensive expense for the year		**(2,371,876)**	(1,842,126)

	NOTES	For the year ended 31 December 2014 HK$'000	2013 HK$'000
Loss for the year attributable to owners of the Company		**(1,640,708)**	(1,395,502)
Loss for the year attributable to non-controlling interests		**(397,664)**	(549,254)
		(2,038,372)	(1,944,756)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,976,610)**	(1,294,217)
Non-controlling interests		**(395,266)**	(547,909)
		(2,371,876)	(1,842,126)
Loss per share	*11*		
–Basic		**(18.32) HK cents**	(15.58) HK cents
– Diluted		**(18.32) HK cents**	(15.58) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties		**38,953**	40,294
Property, plant and equipment		**10,494,421**	11,440,070
Prepaid lease rentals		**310,705**	323,877
Interests in associates		**7,098,764**	7,777,033
Equity investments	*12*	**136,212**	198,871
Deferred tax assets		**36,635**	39,919
Other financial assets		**532,715**	477,895
Deposits for acquisition of property, plant and equipment		**14,944**	21,062
Pledged bank deposits		**57,397**	84,925
		18,720,746	20,403,946
CURRENT ASSETS			
Inventories		**2,408,300**	3,120,297
Trade and bills receivables	*13*	**1,615,640**	1,496,910
Trade receivables from related companies	*14*	**136,021**	162,307
Trade receivables from ultimate holding company of a shareholder	*15*	**1,226**	–
Prepayments, deposits and other receivables		**746,944**	592,787
Prepaid lease rentals		**7,787**	7,922
Tax recoverable		**–**	262
Amounts due from related companies	*14*	**60,869**	43,505
Amount due from an associate		**5,288**	6,731
Amount due from a non-controlling shareholder of a subsidiary		**3,803**	3,816
Amount due from ultimate holding company of a shareholder	*15*	**2,235**	7,797
Other financial assets		**–**	195,988
Restricted bank deposits		**1,242,333**	1,036,994
Pledged bank deposits		**64,226**	223,368
Bank balances and cash		**872,250**	1,266,262
		7,166,922	8,164,946

	NOTES	2014 HK$'000	2013 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*16*	**4,139,378**	4,073,807
Trade payables to related companies	*14*	**374,330**	536,093
Trade payables to ultimate holding company of a shareholder	*15*	**6,587,884**	4,746,408
Other payables, provision and accrued liabilities		**1,076,322**	1,268,691
Tax payable		**162,719**	178,123
Amounts due to related companies	*14*	**256,638**	391,176
Amount due to ultimate holding company of a shareholder	*15*	**1,692**	225,607
Bank borrowings – due within one year		**7,212,409**	8,739,634
Other financial liabilities		**–**	1,660
Loans from ultimate holding company of a shareholder		**873,453**	893,337
		20,684,825	21,054,536
NET CURRENT LIABILITIES		**(13,517,903)**	(12,889,590)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,202,843**	7,514,356
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**925,144**	856,074
Deferred tax liabilities		**34,299**	39,131
		959,443	895,205
		4,243,400	6,619,151
CAPITAL AND RESERVES			
Share capital	*17*	**5,345,183**	1,791,579
Share premium and reserves		**(519,381)**	5,010,207
Equity attributable to owners of the Company		**4,825,802**	6,801,786
Non-controlling interests		**(582,402)**	(182,635)
		4,243,400	6,619,151

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's major shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 48% equity interest of the Company as at 31 December 2014, and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the People's Republic of China (the "PRC"). Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Company and its subsidiaries (collectively referred to as the "Group"), will hereinafter be referred to as the "Shougang Group". The addresses of the registered office and principal place of business of the Company are 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK$13,517,903,000 as at 31 December 2014. The Company had net current liabilities of approximately HK$1,120,057,000 as at 31 December 2014. Taking into account the financial resources of the Group and the Company, including the Group's and the Company's unutilised banking facilities, the Group's and the Company's ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, the directors of the Company ("Directors") are of the opinion that the Group and the Company have sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

Application of new and revised HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

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

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. 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 applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKAS 1	Disclosure Initiatives[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 Financial instrument

The Group had early adopted HKFRS 9 as amended in 2010 in 2012. A revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

In terms of the amendments, debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Other than set out above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material effect on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue arising from sales of steel products, sales of iron ore, sales of coal and coke and management services income during the year is as follows:

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Sale of steel products	**10,367,496**	10,976,650
Sale of iron ore	**2,384,005**	4,127,116
Sale of coal and coke	**216**	158,970
Management services income	**4,398**	3,492
Others	**72**	133
	12,756,187	15,266,361

Segment information

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

Steel manufacturing	–	manufacture and sale of steel products;
Commodity trading	–	trading of steel products, iron ore, coal and coke;
Mineral exploration and processing	–	mining, processing and sale of iron ore; and
Others	–	management services business and floating cranes leasing income.

Segment revenue and results

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

For the year ended 31 December 2014

	Steel manufacturing HK$'000	Commodity trading HK$'000	Mineral exploration and processing HK$'000	Others HK$'000	Total HK$'000
Revenue					
External sales	**10,073,100**	**1,902,317**	**776,300**	**4,470**	**12,756,187**
Inter-segment sales	**65,817**	**90,275**	**656,731**	**–**	**812,823**
Segment revenue	**10,138,917**	**1,992,592**	**1,433,031**	**4,470**	**13,569,010**
Eliminations					**(812,823)**
Group revenue					**12,756,187**

Inter-segment sales are charged at prevailing market rates.

Segment loss	**(867,040)**	**(57,323)**	**(140,803)**	**(5,976)**	**(1,071,142)**
Interest income					**59,767**
Central administration costs					**(23,552)**
Finance costs					**(773,125)**
Gain from change in fair value of derivative financial instruments					**1,660**
Loss on disposal of subsidiaries					**(5)**
Share of results of associates					**(236,043)**
Loss before taxation					**(2,042,440)**

For the year ended 31 December 2013

	Steel manufacturing HK$'000	Commodity trading HK$'000	Mineral exploration and processing HK$'000	Others HK$'000	Total HK$'000
Revenue					
External sales	10,613,925	4,426,947	221,864	3,625	15,266,361
Inter-segment sales	–	–	419,714	–	419,714
Segment revenue	10,613,925	4,426,947	641,578	3,625	15,686,075
Eliminations					(419,714)
Group revenue					15,266,361

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing HK$'000	Commodity trading HK$'000	Mineral exploration and processing HK$'000	Others HK$'000	Total HK$'000
Segment (loss) profit	(1,294,475)	163,126	(310,716)	1,587	(1,440,478)
Interest income					45,418
Central administration costs					(20,431)
Finance costs					(802,085)
Gain from change in fair value of derivative financial instruments					2,276
Share of results of associates					281,803
Loss before taxation					(1,933,497)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain or loss from change in fair value of interest rate swap contracts, loss on disposal of subsidiaries and share of results of associates. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2014	2013
	HK$'000	HK$'000
Segment assets		
Steel manufacturing	**14,043,302**	14,896,268
Commodity trading	**598,375**	1,229,814
Mineral exploration and processing	**1,669,385**	1,753,919
Others	**5,685**	9,955
Total segment assets	**16,316,747**	17,889,956
Interests in associates	**7,098,764**	7,777,033
Equity investments	**136,212**	198,871
Deferred tax assets	**36,635**	39,919
Amounts due from related companies – non-trade	**60,869**	43,505
Amount due from ultimate holding company of a shareholder – non-trade	**2,235**	7,797
Tax recoverable	**–**	262
Restricted bank deposits	**1,242,333**	1,036,994
Pledged bank deposits	**121,623**	308,293
Bank balances and cash	**872,250**	1,266,262
Consolidated assets	**25,887,668**	28,568,892

	2014	2013
	HK$'000	HK$'000
Segment liabilities		
Steel manufacturing	**11,252,490**	9,338,822
Commodity trading	**71,264**	381,459
Mineral exploration and processing	**849,988**	899,609
Others	**4,172**	5,109
Total segment liabilities	**12,177,914**	10,624,999
Amounts due to related companies - non-trade	**256,638**	391,176
Amount due to ultimate holding company of a shareholder – non-trade	**1,692**	225,607
Bank borrowings	**8,137,553**	9,595,708
Tax payable	**162,719**	178,123
Deferred tax liabilities	**34,299**	39,131
Other financial liabilities	**–**	1,660
Loans from ultimate holding company of a shareholder	**873,453**	893,337
Consolidated liabilities	**21,644,268**	21,949,741

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

- all assets are allocated to operating segments other than the items disclosed above.
- all liabilities are allocated to operating segments other than the items disclosed above.

Other segment information

2014

	Steel manufacturing HK$'000	**Commodity trading HK$'000**	**Mineral exploration and processing HK$'000**	**Others HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	**217,498**	**–**	**1,504**	**21**	**219,023**
Depreciation of property, plant and equipment	**873,346**	**44**	**44,265**	**559**	**918,214**
Amortisation of prepaid lease rentals	**7,347**	**–**	**481**	**–**	**7,828**
Loss (gain) on disposal of property, plant and equipment	**180**	**–**	**–**	**(1,429)**	**(1,249)**
Research and development cost recognised as expenses	**4,034**	**–**	**–**	**–**	**4,034**
Allowance for (reversal of) doubtful debts	**5,453**	**(15)**	**291**	**2,558**	**8,287**
Allowance for inventories	**129,261**	**–**	**74,712**	**–**	**203,973**
Fair value of commodity forward contracts upon delivery	**–**	**116,565**	**–**	**–**	**116,565**
Change in fair value of commodity forward contracts	**–**	**24,603**	**–**	**–**	**24,603**

2013

	Steel manufacturing HK$'000	Commodity trading HK$'000	Mineral exploration and processing HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	334,744	–	48,075	189	383,008
Depreciation of property, plant and equipment	869,085	403	45,343	1,163	915,994
Amortisation of prepaid lease rentals	8,051	–	483	–	8,534
Gain on disposal of property, plant and equipment	(69)	(3)	–	–	(72)
Research and development cost recognised as expenses	3,385	–	–	–	3,385
Impairment loss on mining assets	–	–	130,958	–	130,958
(Reversal of) allowance for doubtful debts	(905)	(23)	62,324	–	61,396
Allowance for inventories	180,078	–	–	–	180,078
Fair value of commodity forward contracts upon delivery	–	253,230	–	–	253,230
Change in fair value of commodity forward contracts	–	(92,997)	–	–	(92,997)

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

Revenue from major products and services

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

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Steel plates	**9,940,508**	10,728,077
Iron ore	**2,384,005**	4,127,116
Coal and coke	**216**	158,970
Steel slabs	**426,988**	248,573
Management services	**4,398**	3,492
Others	**72**	133
	12,756,187	15,266,361

Geographical information

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

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

	Revenue from external customers		**Non-current assets** (Note)	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC, excluding Hong Kong (country of domicile)	**10,843,991**	11,193,773	**10,889,859**	11,855,355
Hong Kong	**4,614**	3,708	**7,067,928**	7,746,981
Australia	**1,678,701**	3,835,153	**–**	–
Others	**228,881**	233,727	**–**	–
	12,756,187	15,266,361	**17,957,787**	19,602,336

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

Information about major customers

During the year ended 31 December 2014, the customers which accounted for 10% or more of the Group's revenue are Shougang Group and another customer. Sales to Shougang Group under the segments of steel manufacturing, commodity trading, mineral exploration and processing and others contributed HK$1,628,276,000 to the Group's revenue. Sales to the other customer under the segment of steel manufacturing contributed HK$1,832,440,000 to the Group's revenue.

During the year ended 31 December 2013, sales to Shougang Group under the segments of steel manufacturing, commodity trading, mineral exploration and processing and others contributed HK$1,609,855,000 to the Group's revenue, which accounted for more than 10% of the Group's revenue.

5. OTHER INCOME

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Interest income on bank deposits	**59,767**	45,418
Scrap sales income	**7,602**	4,873
Compensation income	**9,940**	671
Sundry income	**17,622**	14,940
	94,931	65,902

6. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Impairment loss on mining assets	**–**	(130,958)
Gain on disposal of property, plant and equipment	**1,249**	72
Net foreign exchange gain	**7,254**	25,055
(Loss) gain from changes in fair value of investment properties	**(562)**	645
Allowance for trade and other receivables and trade receivables from related companies, net	**(8,287)**	(61,396)
Loss on disposal of subsidiaries *(Note 18)*	**(5)**	–
	(351)	(166,582)

7. FINANCE COSTS

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**526,132**	593,367
Other borrowings wholly repayable within five years	**54,157**	53,845
Total borrowing costs	**580,289**	647,212
Add: Factoring cost for discounted receivables	**214,652**	182,069
Less: Amounts capitalised	**(21,816)**	(27,196)
	773,125	802,085

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 5.74% (2013: 6.91%) per annum to expenditure on qualifying assets.

8. INCOME TAX (CREDIT) EXPENSE

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Current tax:		
– Hong Kong	**–**	1,109
– PRC Enterprise Income Tax	**513**	1,439
	513	2,548
(Over)under-provision in prior years:		
– Hong Kong	**(130)**	–
– PRC Enterprise Income Tax	**(1)**	176
	(131)	176
Deferred tax:		
Current year	**(4,450)**	8,535
Income tax (credit) expense	**(4,068)**	11,259

No provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group had no assessable profit for 2014.

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

9. LOSS FOR THE YEAR

	For the year ended 31 December 2014 HK$'000	2013 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**486,282**	464,774
– retirement benefits scheme contributions	**52,778**	57,599
– equity-settled share-based payment	**626**	1,498
	539,686	523,871
Amortisation of prepaid lease rentals	**7,828**	8,534
Depreciation of property, plant and equipment	**918,214**	915,994
Total depreciation and amortisation	**926,042**	924,528
Change in fair value of derivative financial instruments		
– change in fair value of interest rate swap contracts	**(1,660)**	(2,276)
– change in fair value of commodity forward contracts	**24,603**	(92,997)
	22,943	(95,273)
Auditor's remuneration	**3,184**	3,323
Cost of inventories recognised as expenses (including allowance for inventories and fair value of commodity forward contracts upon delivery)	**13,259,766**	16,112,259
Fair value of commodity forward contracts upon delivery, included in cost of sales	**116,565**	253,230
Allowance for inventories, net, included in cost of sales	**203,973**	180,078
Research and development cost recognised as expenses	**4,034**	3,385
Minimum lease payments under operating leases in respect of land and buildings	**3,821**	4,193
Service and management fees charged by Shougang Group (included in related parties transactions)	**130,406**	113,521
Rental income from investment properties under operating leases	**(1,516)**	(1,619)

10. DIVIDENDS

The Board of Directors did not declare dividend for the years ended 31 December 2014 and 2013.

11. LOSS PER SHARE

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

	For the year ended 31 December	
	2014	2013
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(1,640,708)**	(1,395,502)

	For the year ended 31 December	
	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,896,227**	8,957,632,145

For the year ended 31 December 2014 and 31 December 2013, the computation of diluted loss per share does not assume the exercise of share option, as it would result in a decrease in loss per share.

12. EQUITY INVESTMENTS

Equity investments comprise:

	2014	2013
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in Australia, at fair value	**2,310**	9,681
Unlisted investments:		
– PRC equity securities, at fair value	**133,902**	189,190
Total	**136,212**	198,871

13. TRADE AND BILLS RECEIVABLES

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

	2014	2013
	HK$'000	HK$'000
Within 60 days	**1,254,488**	1,201,453
61 – 90 days	**75,471**	69,858
91 – 180 days	**101,265**	31,014
181 – 365 days	**184,416**	194,585
	1,615,640	1,496,910

13a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at 31 December 2014 and 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 receivables and trade payables and has recognised the cash received from the banks as secured borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2014

	Bills receivables discounted to banks with full recourse	**Bills receivables endorsed to suppliers with full recourse**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Carrying amount of bills receivables	**162,359**	**242,321**	**404,680**
Carrying amount of borrowings and trade payables	**(162,359)**	**(242,321)**	**(404,680)**

As at 31 December 2013

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

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

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

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

	2014	2013
	HK$'000	HK$'000
Within 60 days	**132,894**	102,240
61 – 90 days	**–**	11,897
91 – 180 days	**1,133**	47,946
1 – 2 years	**1,994**	224
	136,021	162,307

The Group allows a range of credit period normally not more than 60 days for sales to the related companies.

The trade payables to related companies and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period as follows:

	2014	2013
	HK$'000	HK$'000
Within 90 days	**118,891**	412,904
91 – 180 days	**45,532**	34,546
181 – 365 days	**61,815**	34,995
1 – 2 years	**98,862**	37,825
Over 2 years	**49,230**	15,823
	374,330	536,093

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

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

As at 31 December 2014 and 2013, the amount due from the ultimate holding company of a shareholder is non-trade in nature, unsecured, interest free and repayable on demand.

The trade receivables from/trade payables to the ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days. The amount due to the ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and are repayable on demand.

The trade receivables from ultimate holding company of a shareholder are all aged within 60 days based on the invoice date at the end of the reporting date, which approximated the respective revenue recognition dates. As at 31 December 2014, all amounts are within credit period and the Group has not provided any allowance for doubtful debts.

The trade payables to the ultimate holding company of a shareholder and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition date are as follows:

	2014	2013
	HK$'000	HK$'000
Within 90 days	**1,239,262**	2,123,229
91 – 180 days	**1,973,195**	1,166,292
181 – 365 days	**2,574,254**	1,456,742
1 – 2 years	**801,173**	145
	6,587,884	4,746,408

16. TRADE AND BILLS PAYABLES

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

	2014	2013
	HK$'000	HK$'000
Within 90 days	**2,372,482**	2,744,837
91 – 180 days	**1,414,865**	960,417
181 – 365 days	**156,028**	253,696
1 – 2 years	**146,615**	100,849
Over 2 years	**49,388**	14,008
	4,139,378	4,073,807

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

17. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
At 1 January 2013, 31 December 2013 and 1 January 2014		
– Ordinary shares of HK$0.20 each	20,000,000,000	4,000,000
At 31 December 2014	N/A *(Note)*	N/A *(Note)*

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	Amount HK$'000
Issued and fully paid:		
At 1 January 2013		
– Ordinary shares of HK$0.20 each	8,953,306,227	1,790,661
Exercise of share options *(Note 1)*	4,590,000	918
At 31 December 2013	8,957,896,227	1,791,579
Transfer from share premium and capital redemption reserve upon abolition of par value	–	3,553,604
At 31 December 2014		
– Ordinary shares with no par value	8,957,896,227	5,345,183

Note 1: In 2013, a director of the Company exercised 4,590,000 share options at exercise price of HK$0.28 per share. Therefore, 4,590,000 new shares were issued.

18. DISPOSAL OF SUBSIDIARIES

On 3 June 2014, the Group entered into a sale and purchase agreement with an independent third party (the "Acquirer") to dispose of its entire interest in Keylevel Investments Limited ("Keylevel") and its wholly owned subsidiary, 深圳市首康國際貿易有限公司 ("Shoukang"), to the Acquirer at a total cash consideration of RMB53,010,000 (equivalent to approximately HK$66,077,000) less transaction costs of approximately HK$65,000. Keylevel acted as investment holding company and Shoukang was one of the Group's subsidiary carried out commodity trading operations. Subsequent to the disposal, the Group continues to carry out commodity trading operations through other subsidiaries. The disposal was completed on 13 June 2014, when the Group lost control of Keylevel and Shoukang.

The results of Keylevel and Shoukang for the current and preceding periods were as follows:

	1 January 2014 to 30 June 2014	1 January 2013 to 31 December 2013
	HK$'000	HK$'000
Revenue	**55,436**	357,833
Cost of sales	**(54,757)**	(349,559)
Other income	**2,278**	1,469
Other gains and losses	**–**	(265)
Distribution and selling expenses	**(160)**	(1,061)
Administrative expenses	**(2,853)**	(3,238)
Finance costs	**–**	(259)
(Loss) profit before tax	**(56)**	4,920
Income tax credit (expense)	**1**	(1,173)
(Loss) profit for the period/year	**(55)**	3,747

	HK$'000
The net assets at the date of disposal were as follows:	
Property, plant and equipment	117
Amounts due from related companies	36
Prepayments, deposits and other receivables	968
Tax recoverable	188
Bank balances and cash	66,717
Amounts due to related companies	(358)
Other payables, provision and accrued liabilities	(1,651)
Net assets disposed of	66,017
Loss on disposal of subsidiaries:	
Consideration received	66,012
Net assets disposed of	(66,017)
Loss on disposal	(5)
Consideration satisfied by:	
Cash	66,012
Net cash outflow arising on disposal:	
Cash consideration received	66,012
Less: Bank balances and cash disposed of	(66,717)
	(705)

An amount of statutory reserve fund of approximately HK$1,424,000 which represented the appropriation from the profit after tax under the applicable laws and regulations in the PRC and an amount of cumulative translation reserve of approximately HK$5,329,000 were transferred directly to accumulated losses upon disposal of Shoukang in the current year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 22 May 2015 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 22 May 2015 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 19 May 2015 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Our operations are mainly segregated into three segments, namely, steel manufacturing, mineral exploration and commodity trading. Our principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei province, PRC. In addition, we own a deep processing centre on steel products to extend our business to the downstream value chain. Our mineral exploration segment mainly include the holding of approximately 27.61% equity stake of Shougang Fushan Resources Group Limited ("Shougang Resources"), a Hong Kong-listed hard coking coal producer in China. On commodity trading, we have long-term iron ore offtake agreements with Australia-listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson"). Mt. Gibson will supply iron ore to the Group in a long term basis so as to stablise our upstream supply chain. Our vertical integration strategy with different upstream, mid-stream and downstream activities is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2014	2013
	HK$ Million	HK$ Million
Loss attributable to shareholders before share of results of associates	**(1,405)**	(1,678)
Share of results of associates	**(236)**	282
Loss attributable to shareholders	**(1,641)**	(1,396)

The market of the Group's core business in steel manufacturing was still weak in 2014. Excessive production capacity and imbalance between supply and demand were still the key issues within the industry which could not be resolved in the near term. The steel price was persisting weak under these circumstances. Our share of profit from Shougang Resources, our principal associate with core business in coking coal mining and sales also showed a sharp decline due to the drop in the selling price of coking coal. In addition, Shougang Resources also made impairment loss on its goodwill. Our share of results in Shougang Resources thus changed from a profit last year into a loss this year.

For the year ended 31 December 2014, loss attributable to shareholders amounted to HK$1,641 million, the loss increased by 17.6% comparing with that of last year. The Group recorded a consolidated turnover of HK$12,756 million in this year, representing a drop of 16.4% comparing to that of last year. Loss per share was 18.32 HK cents.

FINANCIAL REVIEW

Year ended 31 December 2014 compared to the year ended 31 December 2013.

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$12,756 million for this year, lower by about 16.4% when comparing to the HK$15,266 million of last year. Lower turnover mainly came from the drop in average selling price ("ASP") and sales quantities in the commodity trading segment and steel manufacturing segment.

Cost of sales for the year was HK$13,261 million, comparing to HK$16,117 million in last year, a drop of 17.7%.

EBITDA and Core Operating Loss

For the year under review, earnings before interest, tax, depreciation, amortization, impairment loss and change in fair value of financial derivative of the Group was HK$76 million.

Loss after tax but before share of results of associates included significant non-cash and/or non-recurring charges and are reconciled below:

	For the year ended 31 December	
	2014	2013
	HK$ Million	HK$ Million
Loss attributable to shareholders before share of results of associates	**(1,405)**	(1,678)
Adjusted by:		
Fair value loss on iron ore offtake agreements with Mt. Gibson	**141**	160
Impairment loss on mining assets	**–**	131
Employee share option expenses	**1**	2
Minority interests	**–**	(42)
Core operating loss before share of results of associates	**(1,263)**	(1,427)

Finance costs

For the year under review, finance costs amounted to HK$773 million, 3.6% lower than that of last year. The decrease in finance costs was mainly due to the decrease in loan amount of the Group.

Share of results of associates

In this year, we have recognized losses of HK$143 million from Shougang Resources and HK$99 million from Shougang Concord Century Holdings Limited ("Shougang Century") respectively.

Taxation

In this year, it was HK$4 million in net tax income, comparing to HK$11 million in net tax expense in last year. The tax expense in last year was mainly the reversal of deferred tax assets recognized previously by a PRC subsidiary due to foreseeable tax losses utilization.

REVIEW OF OPERATIONS

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

Operation/Entity	Attributable interest	For the year ended 31 December 2014 HK$ Million	2013 HK$ Million
1. Steel manufacturing			
Shouqin[1]	76%	**(1,060)**	(1,367)
Qinhuangdao Plate Mill[2]	100%	**(69)**	(135)
Sub-total		**(1,129)**	(1,502)
2. Mineral exploration			
Shougang Resources (before impairment loss on goodwill)	27.61%	**84**	282
Shouqin Longhui	67.84%	**(153)**	(269)
Sub-total		**(69)**	13
3. Commodity trading			
The Trading Group	100%	**86**	326
Sub-total		**86**	326
4. Others			
Shougang Century	35.71%	**(99)**	(6)
Fair value loss on Mt. Gibson iron ore offtake agreements	–	**(141)**	(160)
Share of impairment loss on goodwill made by Shougang Resources	–	**(227)**	–
Corporate and others	–	**(62)**	(67)
Sub-total		**(529)**	(233)
Total		**(1,641)**	(1,396)

[1] Included the Group and Shouqin's shares of results in its subsidiary, Qinhuangdao Shouqin Steels Machining and Delivery Co. Ltd. ("Processing Centre").

[2] Included Qinhuangdao Plate Mill's share of results in its subsidiaries other than Shouqin Longhui.

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd ("Qinhuangdao Plate Mill"). The steel industry still faces a dire operating environment. This core segment recorded net loss of HK$1,129 million during the year, while that of last year was net loss HK$1,502 million. Summary of production and sales quantities of the two manufacturing plants in the current and last year under this segment is as follows:

		Slabs		**Heavy Plates**	
For the year ended 31 December		**2014**	2013	**2014**	2013
		000' tonnes	000' tonnes	**000' tonnes**	000' tonnes
(i)	**Production**				
	Shouqin	**2,416**	2,367	**1,644**	1,663
	Qinhuangdao Plate Mill	**–**	–	**530**	620
	Total	**2,416**	2,367	**2,174**	2,283
	Change	**+2%**		**-5%**	
(ii)	**Sales**				
	Shouqin#	**594**	575	**1,655**	1,663
	Qinhuangdao Plate Mill	**–**	–	**532**	614
	Total	**594**	575	**2,187**	2,277
	Change	**+3%**		**-4%**	

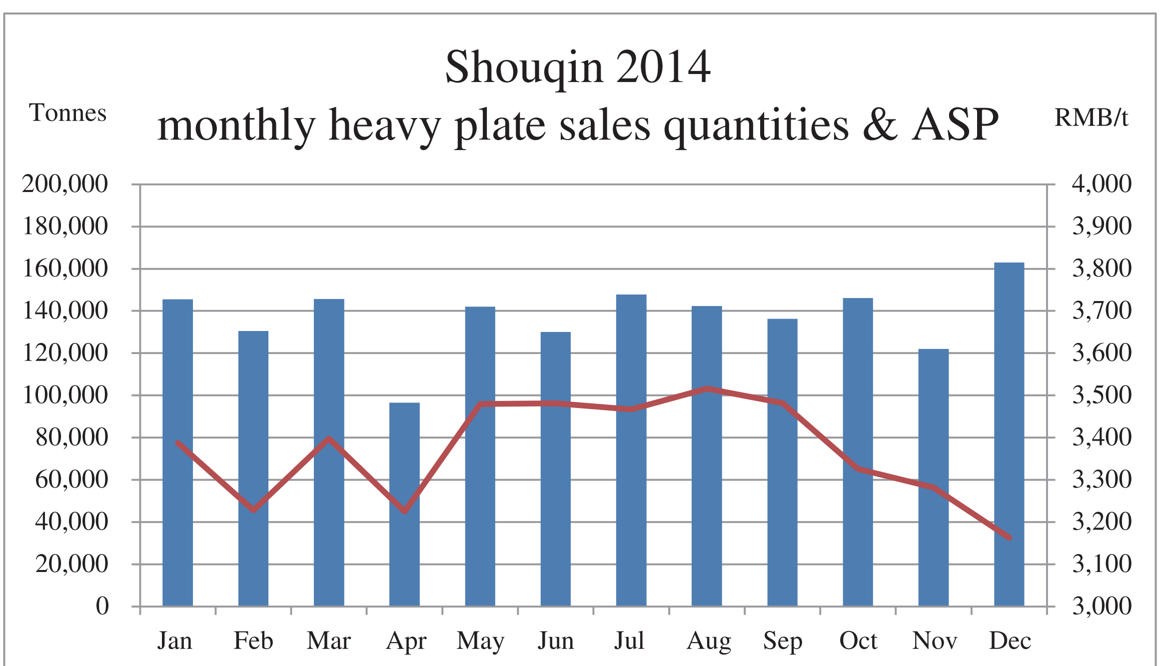
Difference between production and sales of slabs was mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales were mainly made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation.

Shouqin

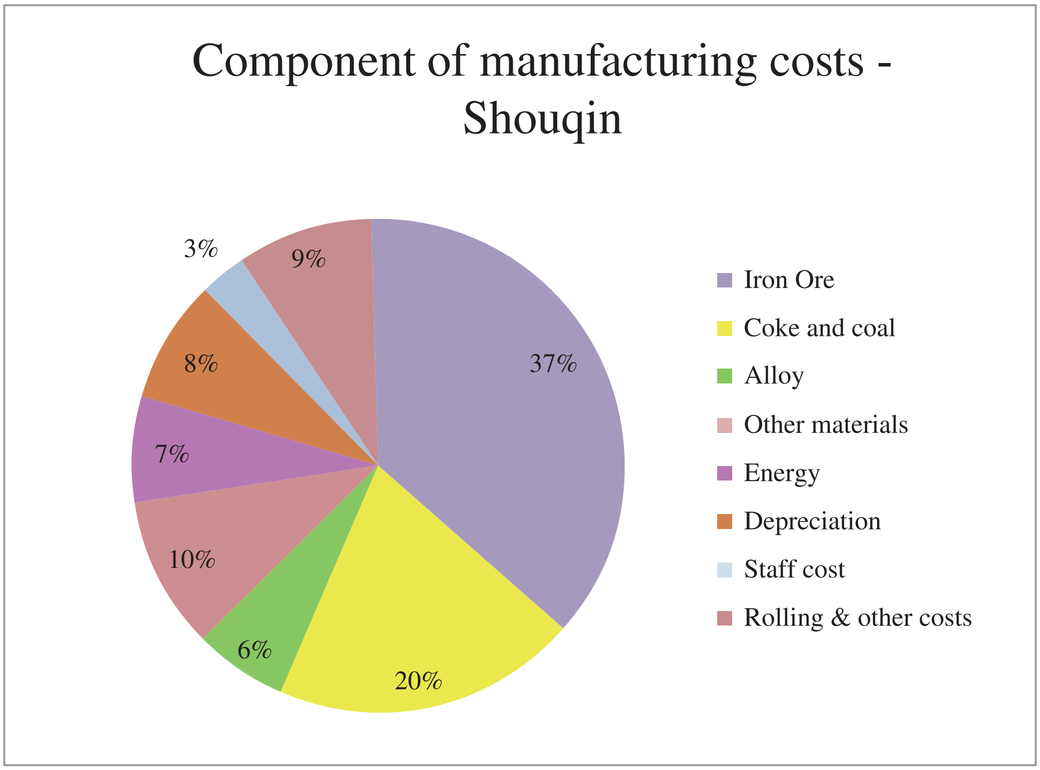
The Group holds an effective interest of 76% in Shouqin, the remaining 20% and 4% were held by Hyundai Heavy Industries Limited and Shougang Corporation respectively.

Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production, it has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates are among the most advanced in the PRC, its annual production capacities of heavy plate have reached 1.8 million tonnes. For the current year, Shouqin reported a turnover of HK$9,101 million before elimination, recording a 5.8% drop on the comparative period. The drop was mainly due to decrease of ASP of heavy plates. The ASP (exclude VAT) of heavy plate was RMB3,373 (HK$4,240) per tonne, 5.6% lower than that of the last year. Production of slab was mainly used for Shouqin's internal consumption while some sales were made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation. The ASP (exclude VAT) of slab was RMB2,553 (HK$3,209) per tonne, about 7.3% lower than that of the last year.

	2014	2013	Change
Quantities sold – heavy plate (tonnes)	**1,655,000**	1,663,000	-0.5%
ASP (RMB)	**3,373**	3,572	-5.6%



In the above chart, the bar represents sales quantities while the line represents ASP.



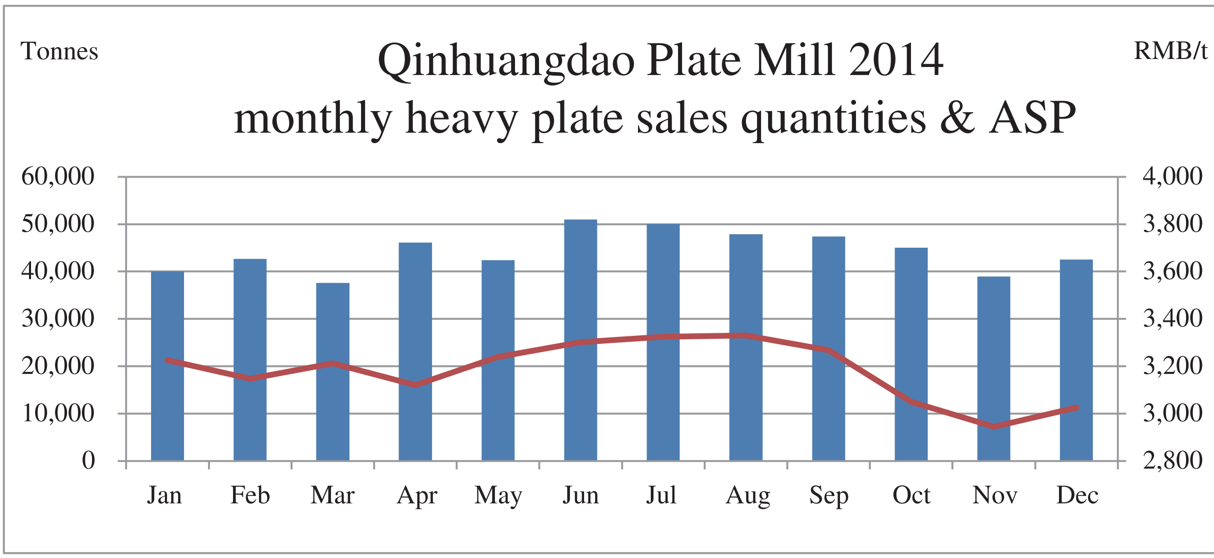
Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. In this year, this entity recorded HK$959 million in turnover, which is 65.9% increase compared with that of last year as a result of more export sales and processing activities in specific plates.

For the year ended 31 December, 2014, the aggregate net loss of Shouqin and Processing Centre attributable to the Group was HK$1,060 million. The loss decreased by HK$307 million comparing to the net loss of HK$1,367 million in last year as benefited from the drop in raw materials purchasing price.

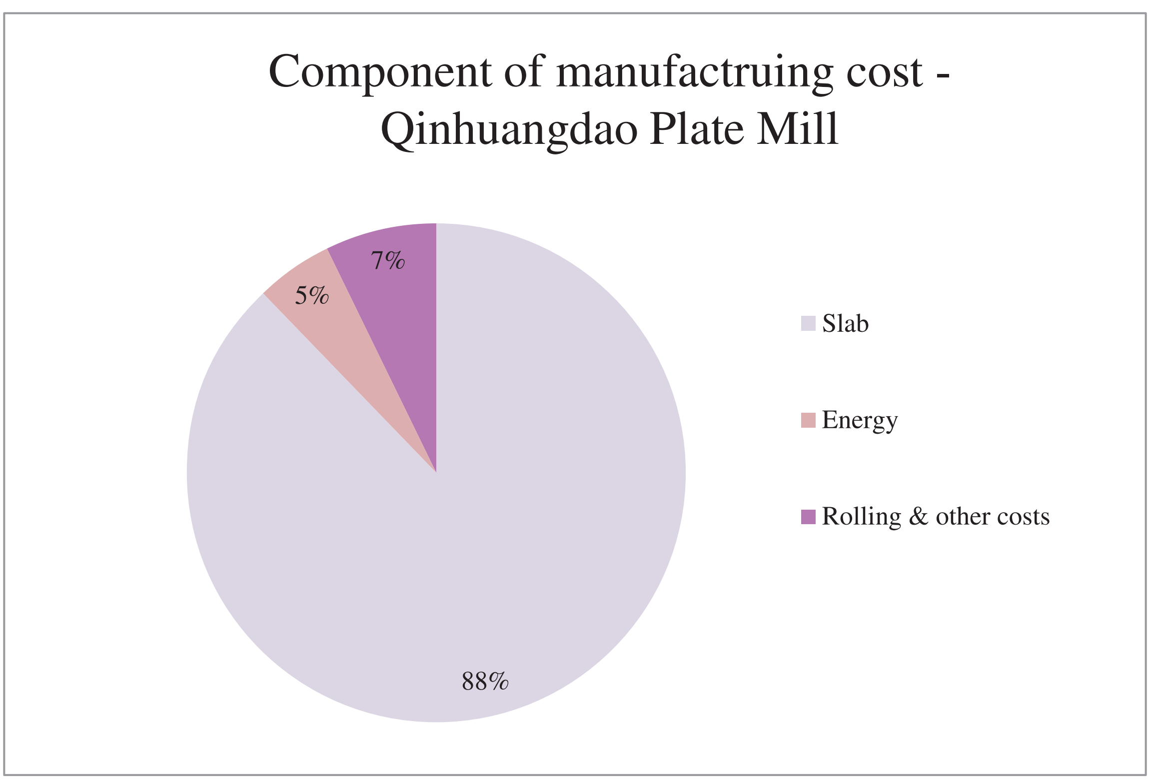
Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$2,306 million before elimination for the year ended 31 December 2014, a drop of 13.7% comparing with that of last year. The drop was mainly due to lower sales quantities in the weak market. The sales quantities sold decreased by 13.4% comparing with that of last year, ASP (exclude VAT) was RMB3,189 (HK$4,008) per tonne, 1.2% lower than that of last year. The Group's share of net loss of Qinhuangdao Plate Mill reduced to HK$69 million. The loss decreased by HK$66 million comparing to the net loss of HK$135 million in last year as benefited from the drop in slab purchasing price.

	2014	2013	Change
Quantities sold – heavy plate (tonnes)	**532,000**	614,000	-13.4%
ASP (RMB)	**3,189**	3,227	-1.2%



In the above chart, the bar represents sales quantities while the line represents ASP.



Mineral exploration

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong, and is a major hard coking coal producer in China, currently operating three premium coking coal mines in Shanxi province namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine, PRC with an annual production capacity of over 6 million tonnes. Its consolidated turnover for the year was HK$3,255 million, a drop of 23.7% over that of last year. With the weak demand in coke market that is the second largest upstream raw material for steel industry, coking coal having sharp decline in sales prices and sales volumes. The operating profit of Shougang Resources significantly reduced and Shougang Resources was forced to make impairment loss on its goodwill in relation to its assets of coal mines in the amount of HK$824 million during the year. In addition, because of the devaluation of Renminbi, Shougang Resources recorded exchange related losses of about HK$96 million on the accounts for holding large amounts of cash and financial instruments. Loss attributable to shareholders of Shougang Resources was HK$425 million while there was profit of HK$1,115 million in last year. Loss of Shougang Resources attributable to the Group was HK$143 million in this year.

Although selling price and quantities sold of coking coal was weak during the year, with the brand quality of Shougang Resources's products, we are still confident towards its future operations.

Production and processing of iron ore products

The Group holds an effective 67.84% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Shouqin Longhui") which is situated in Qinglong County, Qinhuangdao City, Hebei province, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

During the year under review, Shouqin Longhui sold approximately 1,138,000 tonnes pellets while average selling price was RMB869 (HK$1,092) per tonne. It recorded a turnover of HK$1,433 million before elimination for the period, loss of Shouqin Longhui attributable to the Group was about HK$153 million, comparing to an attributable loss of HK$269 million in last year. The loss decreased by HK$116 million comparing to that of last year.

Commodity trading

Our trading operations are jointly conducted by SCIT Trading Limited, SCIT Services Limited and Shougang Concord Steel Holdings Limited and its subsidiaries ("The Trading Group"), all of which are wholly owned by the Group. The Trading Group reported a turnover of HK$1,993 million before elimination in the year ended 31 December 2014, decreased by 55.0% comparing to that of last year as a result of significant drop in the quantities sold and ASP of iron ore sales. Through long term offtake arrangements with Mt. Gibson, it sold approximately 2.46 million tonnes of iron ores, which was 33.3% lower than the 3.69 million tonnes sold of last year. Selling price also decreased by 30.8% to USD92 (HK$718) per tonne. The resulting net profit of this segment was HK$86 million in this year, comparing to HK$326 million in last year, profit reduced by HK$240 million comparing to that of last year.

Following the completion of mining activities in the mine of Tallering Peak, currently, only the mine of Koolan Island could supply iron ore to the Group under the offtake agreements. However, a slump in Koolan Island occurred in late 2014, which led to the flooding of the mine. Affected by this event, all non-essential activities on the Koolan Island have been suspended. As a result of the suspension, no offtake transactions under the offtake agreements can be effectuated until the operations of the Koolan Island mine resume. During the period of the suspension, Mt. Gibson will not supply iron ore to the Group while the Group will not be required to make any payment to Mt. Gibson.

Other business

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

Shougang Century is a 35.71% associate of the Group listed in Hong Kong. The Group's share of its net loss was HK$99 million, comparing to share of loss of HK$6 million in last year. The share of loss increased significantly because of the impairment loss of HK$147 million made by Shougang Century on its property, plant and equipment. Our share of this loss was approximately HK$53 million.

There is keen competition in the steel cord market. The selling price of steel cords continued to drop. In mid of July 2014, Shougang Century and an independent third party entered into a non-legally binding memorandum of understanding in relation to the proposed capital injection into one of the wholly-owned major subsidiaries of Shougang Century, 滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd#) ("TESC") as well as the proposed strategic cooperation between Shougang Century and the independent third party. Upon completion of the proposal, Shougang Century and the independent third party will each own 50% interests in TESC. The proposed capital injection would enhance the capital base of TESC and provide additional financial resources to TESC, which will be utilised to fund the phase II construction of TESC's steel cord production facilities with an annual production capacity of 100,000 tonnes. The completion of the proposal is subject to the fulfilment of certain conditions.

Environmental Protection Measures

The most important operating activity of the Company is the manufacturing and sales of steel. Shouqin, the Company's flagship subsidiary, is the main operator of this business segment. Shouqin focuses on investment in environmental protection and creating green production.

For identification only

With the construction goal of environment protective type, energy recycling type and cost-effective type, Shouqin invested about 10% of the total project costs in environmental protection, which comprised of the following measures:

1. Dust Clearing System

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

2. Water System

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

3. Energy Recycling

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

– Recycling of blast furnace gas

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

- Converter gas recovery and utilization

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

- Residual heat recycling

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

4. Energy-saving measures

- Energy centre

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

- Energy Management Contracts

  Shouqin first introduced new mechanisms of energy saving for energy management contracts in the steel industry, which accumulated the implementation for a number of energy conservation projects, with annual reduction ability in energy conservation.

5. Noise Control

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

6. Green landscaping

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

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

We aim to diversify our funding sources through utilization of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Cash/Bank balances and Loans

The cash and bank balances, loans and financial leverage of the Group as at 31 December 2014 as compared to 31 December 2013 is summarized below:

	PRC (exclude HK) 31 December 2014 HK$ Million	**Other than PRC 31 December 2014 HK$ Million**	**Group Total 31 December 2014 HK$ Million**	Group Total 31 December 2013 HK$ Million
Cash and bank deposits	**1,415**	**821**	**2,236**	2,612
Total loans				
– from banks*	**6,642**	**1,333**	**7,975**	9,550
– from parent company	**873**	**–**	**873**	893
Total	**7,515**	**1,333**	**8,848**	10,443
Total assets	**17,371**	**8,517**	**25,888**	28,569
Total loans to total assets	**43.3%**	**15.7%**	**34.2%**	36.6%

* *excluding financing from discounted bills.*

Our ultimate holding company, Shougang Corporation has provided corporate guarantee for most of the bank loans in PRC granted to the Group. Taking into account the financial resources of the Group, including the Group's ability to renew and refinance the banking facilities upon maturity, the Group has sufficient working capital to meet in full its financial obligations.

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2014, approximately 85% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks occasionally. Notional amounts of such derivative instruments amounted to USD25 million has been expired during the year and no financial derivative was outstanding as at the end of the year.

3. Financing activities

The Company has concluded three new bank financing during this year, totaling USD80 million, of tenors 3 years.

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

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals during this year.

CAPITAL STRUCTURE

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

The issued share capital of the Company was HK$5,345 million (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,240 employees as at 31 December 2014.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and a hospitalization scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

PROSPECTS

Throughout 2014, the world economy was changeable. The US economy had improved and the quantitative easing policies implemented since 2008 is likely coming to an end. Interest rates may be normalize in the new year. The economic growth of China continue to slowdown, thus steady growth will be the usual objective for China. The economies of Europe and Japan seems to remain weak, and will still have to rely on quantitative easing policies in stimulating the real economy in the short term. In 2014, the International commodity prices also recorded significant drop. The severe drop in the prices of oil, iron ore and copper deeply rocked the market.

Although the steel industry had been straying at the bottom of the trough for many years, the situations of overcapacity and excess supply over demand still remained unchanged. The steel prices had been sustaining at a low level for years under the sluggish market. Fortunately, the prices of the raw materials for steel manufacturing, such as iron ore and coke, decreased significantly during the period. This had slightly improved the operating performance in steel industry. It is expected that with the ongoing cost improvement, the losses in operation of the steel industry can be continue to reduce in the next year.

With respect to commodity trading, the Company had entered into long-term off-take agreements with Mt. Gibson. However, the seawall outside its mine in Koolan Island collapsed at the end of 2014 and resulted in flooding in the mine. It is believed that the supply of iron ore by Mt. Gibson to the Company will be materially affected. As such, the Company will also have to experience substantial slowdown in commodity trading business in 2015.

With respect to mineral exploration, Shougang Resources, the major associate of the Company, was also suffering from the severe drop in the price and sales quantities of coking coal. The operating profit of Shougang Resources decreased significantly during the period. An impairment loss of HK$824 million was also made on its goodwill in relation to mining assets so as to reflect the current asset value. In addition, with a large amount of cash on hand, Shougang Resources recorded exchange loss of HK$96 million due to the depreciation of RMB. However, most of the above impairment loss and exchange loss were non-cash nature. With the sound financial background and the extremely low debt ratio of Shougang Resources, together with large amount of cash on hand, Shougang Resources will be able to create more value upon appropriate investment opportunities arise.

As the capacity reduction policies became taking effective, together with the increasing exports, both of which will conduce the rise in demand. Furthermore, the cost improvement and strengthening of environment protection measures are also beneficial to the future development of the industry. Being the ultimate holding company of the Company, Shougang Corporation provides strong support to the Company. We are still fully confident in the prospects of the Company.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2014, except for the following deviations:

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

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

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

  The Chairman of the Board, who is also the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 6 June 2014 (the "2014 AGM") as he had another business engagement. The Managing Director of the Company, who took the chair of the 2014 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the 2014 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2014 AGM were already of sufficient calibre and number for answering questions at the 2014 AGM.

Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2014 annual report.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Board proposes to adopt a new articles of association of the Company (the "New Articles") at the AGM in substitution for the memorandum and articles of association of the Company to bring the constitution of the Company in line with the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The adoption of the New Articles is subject to the approval of the shareholders of the Company by way of a special resolution at the AGM. A circular containing, among other things, the notice of the AGM and details of the proposed adoption of the New Articles will be despatched to the shareholders of the Company as soon as practicable.

APPRECIATION

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

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

Hong Kong, 26 March 2015

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