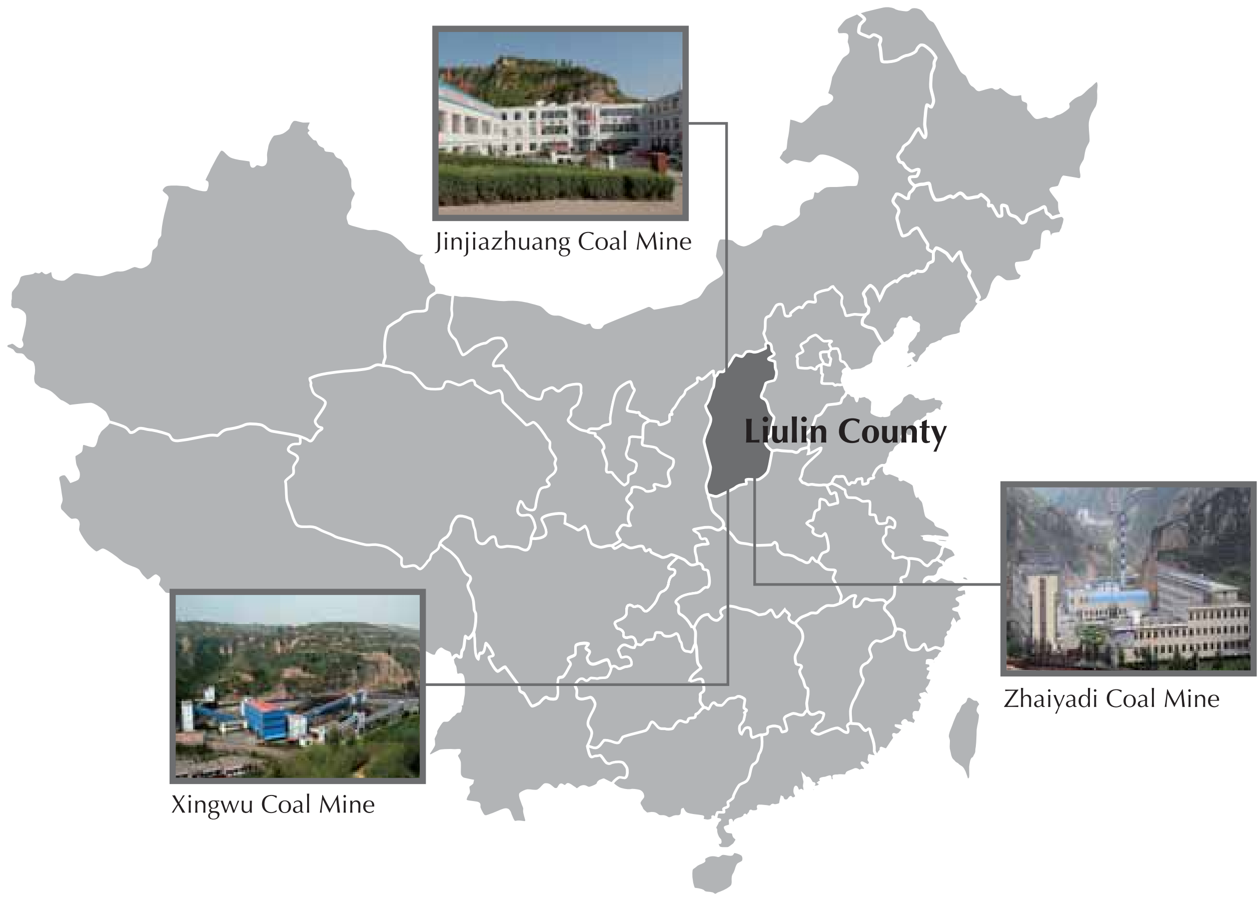
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 639

LOCATIONS OF THE GROUP'S
COKING COAL MINES



CORPORATE PROFILE

SHOUGANG FUSHAN RESOURCES GROUP LIMITED is one of the most sizable integrated coking coal corporations in **CENTRAL-WESTERN CHINA.**

Taking Shanxi Province as its major investment base, it is principally engaged in **MINING OF COKING COAL, PRODUCTION AND SALES OF RAW AND CLEAN COKING COAL.**

The Group has three premium operating coking coal mines and three coal preparation plants.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Chen Zhouping
(Vice-chairman and Managing Director)
Wong Lik Ping *(Vice-chairman)*
So Kwok Hoo *(Deputy Managing Director)*
Chen Zhaoqiang *(Deputy Managing Director)*
Liu Qingshan *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Zhang Yaoping *(Non-executive Director)*
Xiang Xu Jia *(Non-executive Director)*
Kee Wah Sze *(Independent Non-executive Director)*
Choi Wai Yin *(Independent Non-executive Director)*
Chan Pat Lam *(Independent Non-executive Director)*
Chan Chung Chun
(Independent Non-executive Director)
Japhet Sebastian Law
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Li Shaofeng *(Chairman)*
Chen Zhouping
Wong Lik Ping
So Kwok Hoo
Chen Zhaoqiang
Liu Qingshan

AUDIT COMMITTEE

Choi Wai Yin *(Chairman)*
Kee Wah Sze
Chan Pat Lam
Chan Chung Chun
Japhet Sebastian Law

NOMINATION COMMITTEE

Li Shaofeng *(Chairman)*
Wong Lik Ping
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam
Chan Chung Chun
Japhet Sebastian Law

REMUNERATION COMMITTEE

Chan Chung Chun *(Chairman)*
Li Shaofeng
Leung Shun Sang, Tony
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam
Japhet Sebastian Law

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

BDO Limited

SHARE REGISTRARS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

6th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

639

WEBSITE

www.shougang-resources.com.hk

DIRECTORS' BIOGRAPHIES

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

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company commencing on 20 October 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$350,000 or such other salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2013, Mr. Li's monthly salary is HK$350,000 and his discretionary bonus is HK$4,500,000. From 1 January 2014, Mr. Li's monthly salary has been adjusted to HK$450,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Chen Zhouping, aged 48, graduated from the School of Economics and Management, Beijing Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen was appointed a Non-executive Director of the Company in January 2009 and was re-designated as an Executive Director and the Vice-chairman and Managing Director of the Company in May 2010. He is a member of the Executive Committee of the Company. Mr. Chen is a deputy managing director of Shougang Holding, a non-executive director of Shougang International, and a director of each of Ultimate Capital and Fine Power. Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chen is also a non-executive director of Mount Gibson. He has extensive experience in steel industry, engineering design, human resources and management.

A service contract was entered into between Mr. Chen and a wholly-owned subsidiary of the Company commencing on 10 May 2010. Under the service contract, Mr. Chen is entitled to a monthly salary of HK$350,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Chen's monthly salary is HK$350,000 and his discretionary bonus is HK$3,800,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance.

Mr. Wong Lik Ping, aged 53. Mr. Wong was appointed an Executive Director and the Chairman of the Company in September 2001 and was re-designated as the Vice-chairman of the Company in March 2009. He is a member of each of the Executive Committee and the Nomination Committee of the Company. Mr. Wong is the chairman and an executive director of each of Theme International Holdings Limited ("Theme International") and PME Group Limited, both are listed companies in Hong Kong. He is also a member of The National Committee of the Chinese People's Political Consultative Conference. Mr. Wong has extensive experience in trading business, financial industry and investments in a wide range of businesses including mine industry in the People's Republic of China (the "PRC").

A service contract was entered into between Mr. Wong and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Wong is entitled to a monthly salary of HK$350,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Wong's monthly salary is HK$350,000 and his discretionary bonus is HK$2,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Wong's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. So Kwok Hoo, aged 60, holds bachelor degrees in applied science with major in chemical engineering and business administration in Canada. Mr. So was appointed an Executive Director of the Company in March 1998 and was re-designated as a Deputy Managing Director of the Company in January 2010. He is a member of the Executive Committee of the Company. Mr. So is a non-executive director of APAC Resources Limited, a listed company in Hong Kong. He has extensive experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong.

A service contract was entered into between Mr. So and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. So is entitled to a monthly salary of HK$250,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. So's monthly salary is HK$250,000 and his discretionary bonus is HK$3,000,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. So's individual performance.

Mr. Chen Zhaoqiang, aged 46, graduated from Jiaozuo Mining Institute with a bachelor degree majoring in mining engineering and obtained a master degree in management science from Huazhong University of Science & Technology and a finance executive masters of business administration degree from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University. Mr. Chen was appointed an Executive Director and Deputy Managing Director of the Company in January 2010. He is also a member of the Executive Committee of the Company. Mr. Chen had engaged in many important posts in coal mining industry, including in Pingdingshan Coal Co. Ltd., Henan Pingbao Coal Co. Ltd., and Henan Company for Coal Seam Gas Development & Application. He has extensive experience in coal mining industry including in the areas of production safety management for coal mining, purchase and logistics management, mineral resources development and coal trading.

A service contract was entered into between Mr. Chen and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Chen is entitled to a monthly salary of HK$220,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Chen's monthly salary is HK$220,000 and his discretionary bonus is HK$2,640,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Liu Qingshan, aged 55, graduated from Shanxi University of Finance and Economics Department of Accounting and obtained a master of business administration from Capital University of Economics and Business. Mr. Liu was appointed an Executive Director of the Company in November 2008 and was re-designated as a Deputy Managing Director of the Company in January 2010. He is a member of the Executive Committee of the Company. Before joining the Group, Mr. Liu worked as chief financial controller in Fortune Dragon Group Limited and in other sizable energy resources companies in the PRC. He has extensive experience in the fields of accounting and finance in the mining industry in the PRC.

A service contract was entered into between Mr. Liu and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Liu is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2013, Mr. Liu's monthly salary is HK$200,000 and his discretionary bonus is HK$2,400,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Liu's individual performance.

Mr. Leung Shun Sang, Tony, aged 71, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in March 2009 and is a member of the Remuneration Committee of the Company. He is a non-executive director of Shougang International, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Leung is also a non-executive director of each of Shougang Century, Shougang Technology, Shougang Grand and GDC. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Leung is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Leung will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Zhang Yaoping, aged 46, attended Party School of the Central Committee of C.P.C. in the PRC where he studied economic management. Mr. Zhang was appointed a Non-executive Director of the Company in January 2010. He was an officer of the board of directors' office of a coal mining company in Shanxi Province, the PRC and currently is the chairman of board of secretary as well as a member of the board of directors and the vice president of administration of such company. Mr. Zhang has extensive experience in the field of energy resources industries and steel trading in the PRC.

An engagement letter was entered into with Mr. Zhang for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Zhang is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Zhang is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Zhang will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Zhang. Such director's fees were determined with reference to Mr. Zhang's experience and duties as well as the then prevailing market conditions.

Mr. Xiang Xu Jia, aged 44, graduated from the Department of Information Science and Electronic Engineering of Zhejiang University with a bachelor degree in electrical engineering. He obtained a master of laws degrees from Southwest University of Political Science and Law. Mr. Xiang was appointed a Non-executive Director of the Company in September 2013. He is the secretary of the board of Sino Life Insurance Co., Ltd. ("Sino Life"), a director of each of Life Insurance Assets Management Co., Ltd., Sino-Life Asset Management (Hong Kong) Company Limited, Fund Resources Investment Holding Group Company Limited and Shenzhen Qianhai Fude Energy Investment Holding Company Limited*. Sino Life is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Xiang was qualified as a lawyer in the PRC and had been a practicing lawyer for over 7 years. He has extensive experiences in securities and finance, corporate governance and risk management.

An engagement letter was entered into with Mr. Xiang for a term commencing on 1 September 2013 and expiring on 31 December 2015. Under the engagement letter, Mr. Xiang is entitled to a director's fee as may be determined by the Board from time to time. For the period from 1 September 2013 (the date of appointment of Mr. Xiang as a Non-executive Director of the Company) to 31 December 2013, the director's fee of Mr. Xiang is HK$140,000 which was based on the director's fee of HK$420,000 for a full year and paid in proportion to Mr. Xiang's actual length of services. For the financial year ending 31 December 2014, the director's fee of Mr. Xiang will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Xiang. Such director's fees were determined with reference to Mr. Xiang's experience and duties as well as the then prevailing market conditions.

* *The English translation is unofficial and for identification purpose only.*

DIRECTORS' BIOGRAPHIES

Mr. Kee Wah Sze, aged 66, holds a Master Degree in Chinese and Comparative Law from the City University of Hong Kong and a Master Degree in Law from the People's University of the PRC. Mr. Kee was appointed an Independent Non-executive Director of the Company in April 1997 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Theme International, a listed company in Hong Kong. Mr. Kee was an executive director of Goldbond Group Holdings Limited, a listed company in Hong Kong, during the period from January 2003 to December 2012. He is a partner of Messrs. Michael Cheuk, Wong & Kee and has been a practicing solicitor in Hong Kong for over 30 years specialized in both the commercial and conveyancing fields. Mr. Kee is a Notary Public of Hong Kong and a China Appointed Attesting Officer.

An engagement letter was entered into with Mr. Kee for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Kee is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Kee is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Kee will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Kee. Such director's fees were determined with reference to Mr. Kee's experience and duties as well as the then prevailing market conditions.

Mr. Choi Wai Yin, aged 55, holds a Master Degree of Science in Finance from the City University of Hong Kong, a Bachelor Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Law from the Peking University. Mr. Choi was appointed an Independent Non-executive Director of the Company in July 2004 and is the Chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He was also appointed an executive director of a company which is the investment manager of a Hong Kong listed company. Mr. Choi is an investment adviser registered under the SFO. He has over 25 years of experience in the fields of finance and fund management.

An engagement letter was entered into with Mr. Choi for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Choi is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Choi is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Choi will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Choi. Such director's fees were determined with reference to Mr. Choi's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Chan Pat Lam, aged 65. Mr. Chan was appointed an Independent Non-executive Director of the Company in December 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Theme International, a listed company in Hong Kong. Currently, Mr. Chan is the assistant to the managing director of a private company, which is engaged in acting as an international container shipping agency in the Western region of Pearl River Delta. He is also the business advisor of a commercial bank in Macau and a partner of another private company which is engaged in trading and wholesaling of grocery items. Mr. Chan has over 35 years of experience in the field of international banking industry in Hong Kong, Macau and California.

An engagement letter was entered into with Mr. Chan for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Chan is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Chan will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chan. Such director's fees were determined with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

Mr. Chan Chung Chun, aged 54, 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. Mr. Chan is a fellow member of The Hong Kong Institute of Certified Public Accountants and an associate member of The Australian Society of Certified Practising Accountants. He was appointed an Independent Non-executive Director of the Company in July 2012 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. Mr. Chan is also an independent non-executive director of each of Shougang Century and GDC. Currently, he is the deputy chairman and executive director of Sinocop Resources, a listed company in Hong Kong. Mr. Chan had worked for the audit department of Ernst & Young for about 7 years and has extensive experience in the accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC.

An engagement letter was entered into with Mr. Chan for a term of three years commencing on 1 January 2013. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2013, the director's fee of Mr. Chan is HK$420,000. For the financial year ending 31 December 2014, the director's fee of Mr. Chan will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Chan. Such director's fees were determined with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

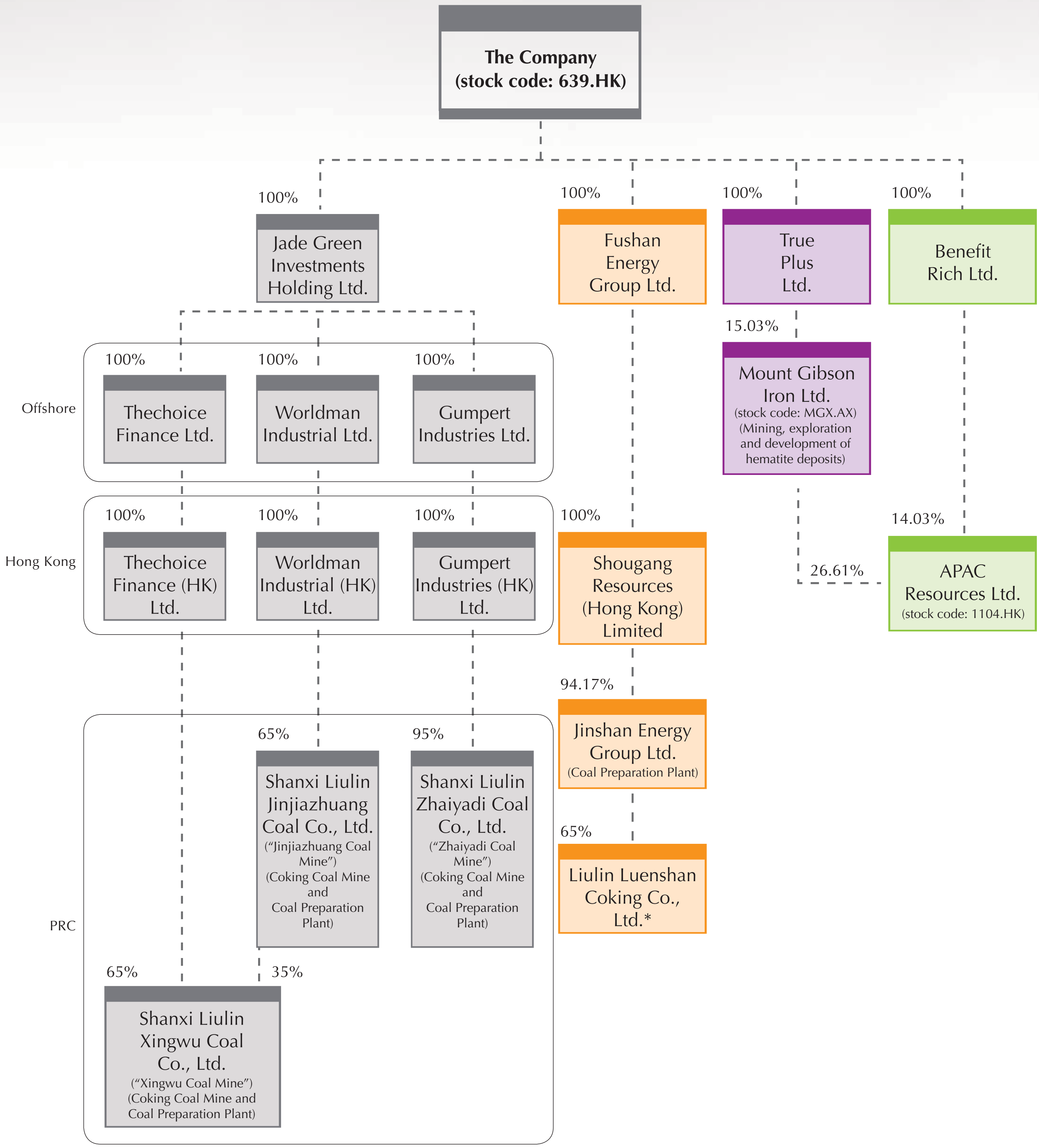
DIRECTORS' BIOGRAPHIES

Mr. Japhet Sebastian Law, aged 62, graduated from the University of Texas at Austin with a doctor of philosophy degree in mechanical/industrial engineering in 1976. Mr. Law was appointed an Independent Non-executive Director of the Company in September 2013 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He joined The Chinese University of Hong Kong in 1986 and retired in August 2012. Before retirement, Mr. Law was a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 until 2002. Prior to returning to Hong Kong, Mr. Law was a director of Operations Research at the Cullen College of Engineering and a director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as a consultant for various corporations in Hong Kong and overseas. Mr. Law is active in public services and serves as a member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees. He is active on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. Mr. Law currently serves as an independent non-executive director of each of GDC, Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Regal Hotels International Holdings Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited, all of which are listed companies in Hong Kong. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited, a listed company in Hong Kong, during the period from December 2011 to July 2013.

An engagement letter was entered into with Mr. Law for a term commencing on 1 September 2013 and expiring on 31 December 2015. Under the engagement letter, Mr. Law is entitled to a director's fee as may be determined by the Board from time to time. For the period from 1 September 2013 (the date of appointment of Mr. Law as an Independent Non-executive Director of the Company) to 31 December 2013, the director's fee of Mr. Law is HK$140,000 which was based on the director's fee of HK$420,000 for a full year and paid in proportion to Mr. Law's actual length of services. For the financial year ending 31 December 2014, the director's fee of Mr. Law will be HK$420,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Law. Such director's fees were determined with reference to Mr. Law's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

THE MAIN OPERATIONAL STRUCTURE OF THE GROUP AS AT 31 DECEMBER 2013 WAS AS FOLLOWS:



* The unofficial English translation is for identification purpose only.

FINANCIAL HIGHLIGHTS

(HK$'000)	For the year ended 31 December 2011	2012	**2013**	**Percentage change**
Revenue	7,138,643	5,650,590	**4,268,232**	-24%
Gross profit	5,028,935	3,585,802	**2,173,016**	-39%
Gross profit margin	70%	63%	**51%**	
Operating profit	3,948,085	2,975,573	**1,829,895**	-39%
EBITDA[1]	4,442,910	3,504,439	**2,395,667**	-32%
Profit for the year	2,649,619	2,150,240	**1,299,239**	-40%
Profit attributable to Owners	2,256,023	1,800,367	**1,115,066**	-38%
Basic earnings per share (HK cents)	41.93	33.80	**21.03**	-38%
Dividend per share (HK cents)	19	15	**10.5**	-30%
– Interim (HK cents)	6	5	**2.7**	-46%
– Final (Proposed) (HK cents)	13	10	**7.8**	-22%

(HK$'000)	As at 31 December 2011	2012	**2013**	**Percentage change**
Total assets	27,000,297	26,820,521	**26,870,908**	–
of which: Cash and cash equivalents and time deposits with original maturity over three months	4,517,196	4,674,014	**5,588,217**	+20%
Unpledged bill receivables	2,224,366	1,165,620	**854,801**	-27%
Total liabilities	(6,442,164)	(5,958,538)	**(5,211,743)**	-13%
of which: Total borrowings	(897,848)	(1,075,448)	**(580,009)**	-46%
Total borrowings (exclusive of asset-backed financing)	(897,848)	(197,160)	**(2,286)**	-99%
Gearing ratio[2]	4.37%	5.16%	**2.68%**	-48%
Adjusted gearing ratio[3]	4.37%	0.95%	**0.01%**	-99%
Total equity	20,558,133	20,861,983	**21,659,165**	+4%
of which: Equity attributable to Owners	18,966,579	19,223,684	**19,927,383**	+4%
Net assets per share attributable to Owners (HK$)	3.53	3.63	**3.76**	+4%

Notes:

1. EBITDA is defined as operating profit plus depreciation and amortisation.

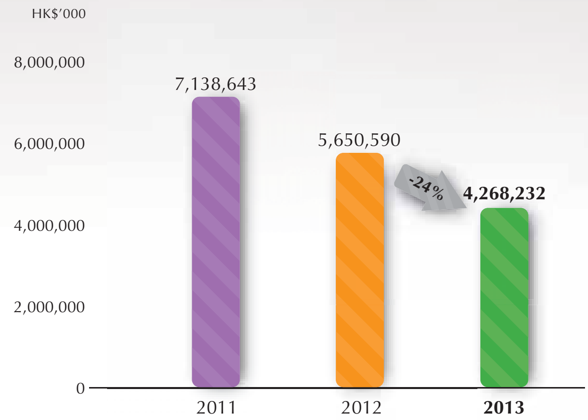
2. Gearing ratio is computed from total borrowings divided by total equity.

3. Adjusted gearing ratio is computed from total borrowings (exclusive of asset-backed financing) divided by total equity.

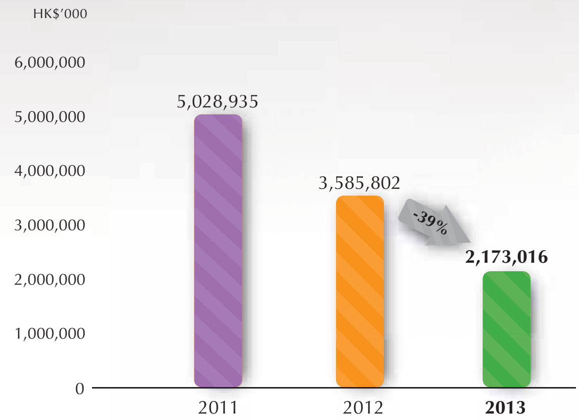
FINANCIAL HIGHLIGHTS

PROFIT & LOSS SUMMARY

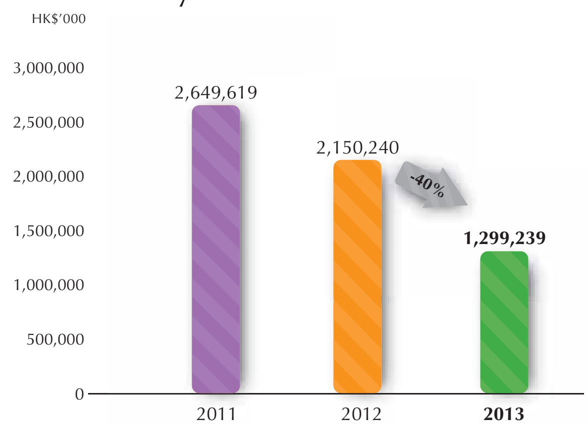
Revenue



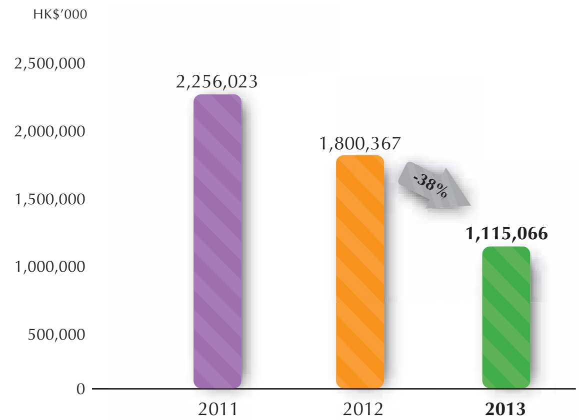
Gross profit



Profit for the year

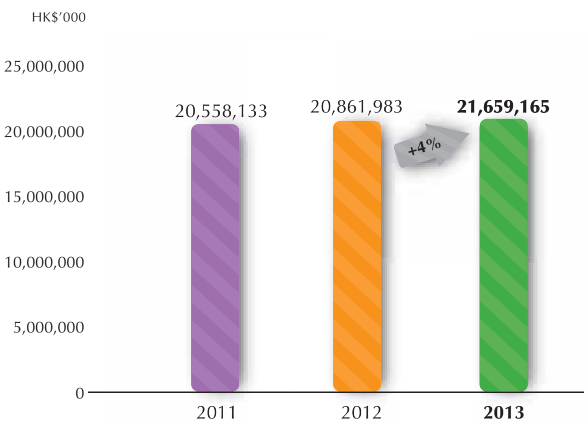


Profit attributable to Owners

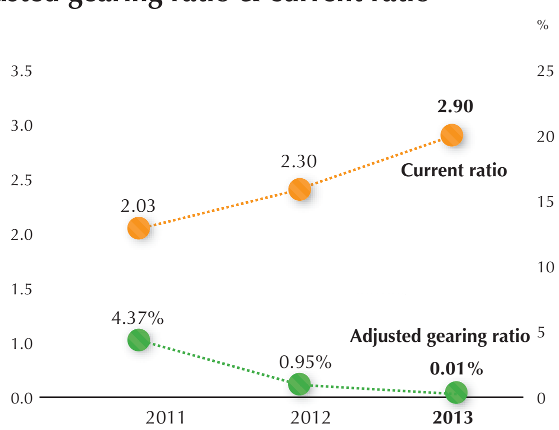


HEALTHY FINANCIAL POSITION

Net assets



Adjusted gearing ratio & current ratio



OPERATING MINES

XINGWU COAL MINE

- 6 km south of Liulin County and the mining right area extended over 11.6 sq. km and spans 4.5 km east to west and 4.5 km north to south
- Operation commenced in 1968
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- Operate a coal preparation plant with annual input processing capacity of 1.2 million tonnes
- Production of hard coking coal

JINJIAZHUANG COAL MINE

- 14 km south of Liulin County and the mining right area extended over 6.35 sq. km and spans 6.8 km east to west and 3.4 km north to south
- Operation commenced in 1996
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- A coal preparation plant adjacent to the mining site with annual designed input processing capacity of 3.0 million tonnes put into operation in June 2009
- Production of hard coking coal

ZHAIYADI COAL MINE

- 16 km southwest of Liulin County and the mining right area extended over 13.9 sq. km and spans 5.5 km east to west and 5.0 km north to south
- Operation commenced in 1988
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- A coal preparation plant adjacent to the mining site with annual designed input processing capacity of 2.1 million tonnes put into operation in the 4th quarter of 2010
- Production of semi-hard coking coal

OPERATING MINES

COAL CHARACTERISTICS

- Located within the Lishi-Liulin mining area of Hedong coalfield, one of China's key reserve areas for high-quality hard coking coal.
- Regarded as "panda coal" because of its scarcity and high economic value.
- The Group's coking coal is of particularly good quality due to its high calorific value and caking index but low ash and sulfur content, characteristics that are highly desirable for coke and steel making.

		Operating Mines				
Coal Quality Characteristic	**Basic**	**Xingwu**		**Jinjiazhuang**		**Zhaiyadi**
Seam		No. 4	No. 5	No. 3	No. 4	No. 9
Moisture (%)	Ad	0.9	0.3	0.6	0.7	0.7
Ash (%)	D	11.3	10.1	6.3	11.0	10.4
Sulfur Total (%)	D	0.36	0.85	0.32	0.47	1.65
Volatile Matter (%)	Daf	21.6	23.4	21.3	22.4	18.7
Fixed Carbon (%)	Ad	68.6	67.0	73.1	68.4	72.1
Calorific Value (Kcal./kg)	Gr.v.d	7,500	7,200	7,920	7,520	7,540
Caking Index (G)		86	75	49	77	72

Source: J.T. Boyd report as of 31 December 2007

These test results indicate that the test samples from Xingwu Coal Mine and Jinjiazhuang Coal Mine meet the international definition for hard coking coal. Zhaiyadi Coal Mine sample test results indicate that its coal meets international definition for semi-hard coking coal.

OPERATING MINES

OPERATING DATA

Resources and Reserves/Output

	Operating Mines			
	Xingwu	Jinjiazhuang	Zhaiyadi	Total
Resources and Reserves				
In-Place Resources as of 31 December 2007 (Mt)	63.23	64.18	78.34	205.75
Recoverable Reserves as of 31 December 2007 (Mt)				
– Proven reserves	11.11	20.78	13.32	45.21
– Probable reserves	35.23	23.02	38.89	97.14
Total proven and probable recoverable reserves as of 31 December 2007 (Mt)	46.34	43.80	52.21	142.35
Less: Total raw coking coal output in 2008 to 2013 (Mt)	(10.17)	(10.98)	(15.20)	(36.35)
In-Place Resources as of 31 December 2013 (Mt) (NB)	**53.06**	**53.20**	**63.14**	**169.40**
Recoverable Reserves as of 31 December 2013 (Mt) (NB)	**36.17**	**32.82**	**37.01**	**106.00**

NB: Resources and reserves have taken into account the coal reserves prepared by John T. Boyd Company, an independent mining and geological consultant, as of 31 December 2007, in accordance with the JORC Code, after deduction of the total raw coking coal output for the period from 1 January 2008 to 31 December 2013.

	Xingwu	Jinjiazhuang	Zhaiyadi	Total
Raw coking coal output				
Total raw coking coal output in 2012 (Mt)	1.963	1.767	2.370	6.100
Total raw coking coal output in 2013 (Mt)	**1.706**	**1.816**	**2.605**	**6.127**
Clean coking coal output				
Total clean coking coal output in 2012 (Mt)	0.635	0.991	0.857	2.483
Total clean coking coal output in 2013 (Mt)	**0.636**	**1.105**	**0.929**	**2.670**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Shougang Fushan Resources Group Limited ("Shougang Resources" or the "Company"), I am hereby delighted to present the 2013 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013 (the "Review Year"), and to report to all shareholders on the Company's performance for the Review Year.

In 2013, China's GDP reached RMB56.88 trillion, representing year-on-year increase of 7.7%. Domestic crude steel production was 779 million tonnes with year-on-year growth of 7.5%. The fixed assets investment of the iron and steel industry was RMB672.6 billion, which increased 0.7% year-on-year. As of 2013, current iron and steel capacity of China had already been 1 billion tonnes, but the capacity utilization rate is only about 72%, which clearly shows a picture of excess capacity of the industry. In this situation, price of iron and steel products remained downward, and profit margin of the industry declined significantly. Meanwhile, as the capacity release of coal mines on the mainland China after the technical renovation, and plenty of imported coal flooded into the domestic market, the supply chain of the coal market had transferred from a seller's market to a buyer's market. Confronting such tough market condition, with prime purpose of safety and stability of production, the management of the Company followed the market trend closely and took a proactive approach, fully arranged the exploitation of new working surface, promoted the application of new technologies, and also enforced cost controls; as a result, the production of raw coking coal and clean coking coal in the Review Year was 6.13 million tonnes and 2.67 million tones, representing growth of 1% and 8% respectively, which has fulfilled the annual production budget. Although the market had fluctuated fiercely, we had made every effort to keep good relationship with our major clients, and tried to extend the business radius, in the meantime developed new clients base of iron and steel manufactures, and we had also carefully reviewed our business operations and the coordination of the railway and road transportation. According to our marketing strategy of increasing the proportion of clean coking coal in the product mix year by year, during the Review Year, the sales volume of clean coking coal increased to 2.53 million tonnes with year-on-year growth of 5%, and the sales volume of raw coking coal was 1.96 million tonnes. Meanwhile, three operating coal mines under the Company had kept good track record of safety production.

CHAIRMAN'S STATEMENT

During the Review Year, due to the sharp falling of coal price in both domestic and overseas markets, the average realised selling price (inclusive of VAT) of raw coking coal and clean coking coal of our Group was RMB632/tonne and RMB1,076/tonne respectively, which declined 25% and 24% respectively. Therefore, gross profit of our Group decreased to HK$2.17 billion in the Review Year from HK$3.59 billion in 2012 with a decrease of 39% year-on-year, and gross profit margin was 51%. Under such circumstances, with new policies released by local government at various levels aiming to reduce burdens of coal and coke companies, we had also managed cost control strictly to our own measures, and operating profit of our Group in the Review Year was HK$1.83 billion with year-on-year decrease of 39%; net profit of our Group was HK$1.30 billion, which declined 40% year-on-year; and profit attributable to owners of the Company was HK$1.12 billion, with year-on-year decrease of 38%.

According to China's "Iron and Steel Industry Development Policy", in which energy saving and emission reduction has been further emphasised, blast furnaces below 1,000 cubic metres will be shut down gradually and all newly built ones must be large-scale furnaces, and these large blast furnaces must use coking coal with higher coal strength and resistance; on the other hand, protection of scarce coking coal resources will also be reinforced, which indicates that the supply of high quality coking coal will be of shortage increasingly. We believe, with the adjustment and optimisation of the industrial structure of domestic iron and steel sector step by step, the demand of high quality coking coal will restore the stable and continual growth, and moreover with full support of the major shareholders of our Group, our three premium operating coking coal mines which locates in Shanxi Province will benefit eventually.

Outlook for 2014

2014 will be the first year of comprehensive deepening reforms of China's new central administration, and the development situation of the economy will be quite complex, whereas both opportunities and challenges exist. In our view, the external environment is getting improved, the external demand is expected to be stable, and the internal demand will be the key factor of the steady growth of the economy. On such background of industrial structure adjustment, further development of industrialization and new pattern urbanisation will be the main power of future economic progress; meanwhile, according to Report of the Work of the Government, the central budgetary investment is to increase to RMB457.6 billion focusing on government-subsidised housing, railway construction in mid-west regions, the agriculture and main hydraulic projects. New railway line of more than 6,600 kilometers will start to be built in 2014 according to China Railway Corporation, and more than 7 million government-subsidized housing is planned to be built in the coming year. These fixed assets investing projects will greatly fuel the domestic demand, boost the growth of industrial production and stimulate the market demand of iron and steel. However, we should also be aware that the governmental actions in eliminating outdated capacity of iron and steel and prevention of air pollution, and the increasing floods of imported coal into the domestic market, will have impact on demand of domestic coking coal to some extent. And in hence, 2014 will be a year full of challenges.

CHAIRMAN'S STATEMENT

In 2014 we will continue to make full use of our comparative advantages to ensure the safety and sustainability of our current business, to proceed in arranging and exploiting the new working surface to maintain the production stability; to optimise the personnel structure and deepen the cost management and to enhance the research and promotion of our own coal mining techniques; at the same time, we will also continue to keep good cooperative relationship with our major clients and well coordinate the capacity of railway and road transportation to extend our business radius. In addition, based on our tracking analysis and extensive experience of the market and the industry all those years, and the steady financial condition of our Group as well, we are looking prudently to source for possible acquisitions both in the Maninland China and abroad to enhance our resources reserve and expand production capacity, we have great confidence in seizing the best opportunity of investment and strive to create great investment return for our shareholders.

To reward the continual support and great kindness of our shareholders, the Board of Directors of Shougang Resources had proposed a final dividend of HK7.8 cents per ordinary share. Thus, the annual dividend for 2013 amounted to HK10.5 cents per ordinary share.

Last but not least, on behalf of the Board of Directors of Shougang Resources, I would like to express my heartfelt gratitude to our shareholders, management team, staff and business partners for all their continued support to the Group over the past years!

Li Shaofeng
Chairman

Hong Kong, 27 March, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the year ended 31 December 2013 (the "year under review") together with that of the same period of 2012 is summarised as follows:

		For the year ended 31 December		Change	
	Unit	**2013**	2012	**Quantity/ Amount**	**Percentage**
Production volume:					
Raw coking coal	Mt	**6.13**	6.10	**+0.03**	**+1%**
Clean coking coal	Mt	**2.67**	2.48	**+0.19**	**+8%**
Sales volume:					
Raw coking coal	Mt	**1.96**	2.33	**-0.37**	**-16%**
Clean coking coal	Mt	**2.53**	2.41	**+0.12**	**+5%**
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**632**	838	**-206**	**-25%**
Clean coking coal	RMB/tonne	**1,076**	1,423	**-347**	**-24%**

For the year ended 31 December 2013, the Group produced approximately 6.13 million tonnes ("Mt") (2012: approximately 6.10 Mt) of raw coking coal, representing a year-on-year increase of 1% and also produced approximately 2.67 Mt (2012: approximately 2.48 Mt) of clean coking coal, representing a year-on-year increase of 8%. Operation of our three premium operating coking coal mines continued running smoothly throughout the year under review.

Notwithstanding the influence of the economic slowdown in the Mainland China and the cheap imported clean coal, the sales volume of clean coking coal of the Group increased by 5% during the year under review. We continued to make effort to expand our clean coking coal business. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal and hence both production and sales volume of clean coking coal increased by 8% and 5% respectively. Sales volume of raw coking coal dropped by 16% during the year under review.

BUSINESS REVIEW (continued)

For the year ended 31 December 2013, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 25% to Renminbi ("RMB") 632/tonne when compared with that of the same period of 2012 (2012: RMB838/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 24% to RMB1,076/tonne when compared with that of the same period of 2012 (2012: RMB1,423/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. Except for the slump in market coal prices, the decline in average realised selling price of raw coking coal was also due to the increase in proportion to sell No. 9 raw coking coal which its selling price is lower than that of No.4 raw coking coal during the year under review. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 53% and 47% of the total raw coking coal sales volume respectively for the year ended 31 December 2013. They accounted for 65% and 35% of the total raw coking coal sales volume respectively for the year ended 31 December 2012. In addition, the decline in average realised selling price of clean coking coal was also due to the increase in proportion of sales volume of clean coking coal at ex-factory prices for the year ended 31 December 2013. In terms of its sales volume, ex-factory prices and C&F prices of clean coking coal accounted for 93% and 7% of the total clean coking coal sales volume respectively for the year ended 31 December 2013. They accounted for 79% and 21% of the total clean coking coal sales volume respectively for the year ended 31 December 2012.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 4,268 million, representing a decrease of approximately HK$1,383 million or 24% as compared with that of approximately HK$5,651 million for the same period of 2012. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 25% and 24% respectively for the year under review. In terms of turnover, sales of raw and clean coking coal accounted for 31% and 69% of the Group's turnover respectively for the year ended 31 December 2013. They accounted for 36% and 64% respectively for the year ended 31 December 2012.

For the year ended 31 December 2013, the total turnover to the top five customers accounted for 59% of the Group's turnover. Of which, the total turnover to the largest customer accounted for 20% of the Group's turnover.

For the year ended 31 December 2013, gross profit margin was 51% while 63% for the same period in 2012. Decrease in gross profit margin was mainly due to the drop in average realised selling prices as explained above.

FINANCIAL REVIEW (continued)

For the year ended 31 December 2013, the Group recorded net profit of approximately HK$1,299 million, representing a decrease of approximately HK$851 million or 40% as compared with that of approximately HK$2,150 million for the same period of 2012. For the year ended 31 December 2013, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$1,115 million, representing a decrease of approximately HK$685 million or 38% as compared with that of approximately HK$1,800 million for the same period of 2012. The significant drop in net profit and profit attributable to the Owners in 2013 were mainly attributable to the decrease in turnover as explained above.

During the year under review, basic earnings per share was HK21.03 cents (2012: HK33.80 cents), representing a year-on-year decrease of 38%.

Cost of Sales

During the year under review, cost of sales was approximately HK$2,095 million, representing a slight increase of approximately HK$30 million or 1%, as compared with that of approximately HK$2,065 million for the same period of 2012. Included in cost of sales, amortisation of mining rights was approximately HK$281 million for the year ended 31 December 2013, representing an increase of approximately HK$5 million or 2%, as compared with that of approximately HK$276 million for the same period of 2012. The slight increase in amortisation of mining rights and cost of sales was mainly due to the appreciation of RMB by approximately 2% during the year under review.

FINANCIAL REVIEW (continued)

Cost of Sales (continued)

The unit production costs are summarised as follows:

	Unit	For the year ended 31 December 2013	2012	Change Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**260**	260	–	–
Less:					
One-off relocation compensation expense	RMB/tonne	–	(7)		
	RMB/tonne	**260**	253	**+7**	**+3%**
of which, depreciation and amortisation	RMB/tonne	**(62)**	(61)	**+1**	**+2%**
Processing cost for clean coking coal	RMB/tonne	**53**	54	**-1**	**-2%**
of which, depreciation	RMB/tonne	**(11)**	(11)	–	–

As a result of the tight cost control, the increase in unit production cost (exclusion of one-off production cost) of raw coking coal by 3% was in line with the inflation rate (consumer price index) of approximately 3% in the Mainland China.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$2,173 million for the year ended 31 December 2013, representing a decrease of approximately HK$1,413 million or 39% as compared with that of approximately HK$3,586 million for the same period of 2012. During the year under review, gross profit margin was 51% compared with 63% for the same period of 2012. The drop in gross profit margin was mainly due to the drop in average realised selling prices for the year ended 31 December 2013 when compared with that in the same period of 2012 as explained above.

Other Operating Income

During the year under review, other operating income was approximately HK$385 million, representing an increase of approximately HK$61 million or 19% as compared with approximately HK$324 million of the same period in 2012. The increase in other operating income was mainly attributable to the substantial increase in net exchange gain of approximately HK$63 million during the year under review. As a result of the appreciation of RMB by approximately 2% as at 31 December 2013 compared with that as at 31 December 2012 (As at 31 December 2012: approximately 1%), exchange gain arose from re-translation of the Group's current assets denominated in RMB to HK$ as at 31 December 2013.

FINANCIAL REVIEW (continued)

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$142 million, representing a significant decrease of approximately HK$128 million or 47% as compared with that of approximately HK$270 million for the same period of 2012. The decrease was mainly as a result of the substantial decrease in transportation costs arising from the reduction of sales volume of clean coking coal at C&F prices by approximately 63% from approximately 500,000 tonnes for the year ended 31 December 2012 to approximately 183,000 tonnes for the year ended 31 December 2013.

General and Administrative Expenses

During the year under review, administrative expenses were approximately HK$319 million, representing a significant decrease of approximately HK$51 million or 14% as compared with approximately HK$370 million for the same period of 2012. The decrease was resulted from (i) the effective cost control; (ii) the decrease in environmental greening costs by HK$13 million; and (iii) the decrease in directors' remuneration by approximately HK$9 million during the year under review.

Other Operating Expenses

During the year under review, other operating expenses were approximately HK$267 million, which mainly represented the committed 2013 annual payment of charitable donation of approximately HK$249 million paid by the Group to the Liulin Provincial Government, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2012.

Finance Costs

During the year under review, actual finance costs were approximately HK$24 million, representing a significant decrease of approximately HK$17 million or 41% as compared with that of approximately HK$41 million for the same period of 2012. During the year under review, no borrowing costs (2012: approximately HK$14 million) were capitalised in the construction in progress. The decrease in actual finance costs was due to the repayment of the remaining bank borrowings of approximately HK$193 million during the year ended 31 December 2013. The average annual interest rate charges on the bank borrowings were approximately 3% for the year ended 31 December 2013 (2012: approximately 4%). During the year under review, the Group adopted short term financing such as early redemption of bill receivables instead of long term bank borrowings. As a result, the actual finance costs were decreased by approximately HK$17 million.

Income Tax Expense

During the year under review, income tax expense was approximately HK$531 million (2012: approximately HK$822 million), of which approximately HK$82 million (2012: approximately HK$76 million) represented the provision of withholding tax of 5% on the dividend declared from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC Subsidiaries") in accordance with the relevant tax regulations in the PRC. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%. The substantial decrease in income tax expense was in line with the drop in profits during the year under review.

FINANCIAL REVIEW (continued)

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the year under review was approximately HK$1,115 million, representing a decrease of approximately HK$685 million or 38% as compared with that of approximately HK$1,800 million for the same period of 2012.

Material Investments and Acquisitions

During the year ended 31 December 2013, the Group had no material investments and acquisitions.

Material Disposals

During the year ended 31 December 2013, the Group had no material disposals.

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving stable coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming to build itself into a safety-oriented and environmentally-friendly enterprise. During the year under review, all coal mines of the Group operated smoothly.

Charges on Assets

As at 31 December 2013, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$205 million and bill receivables of approximately HK$191 million were used for securing bills facilities of approximately HK$384 million.

Contingent Liabilities

As at 31 December 2013, there were no guarantees given to any banks or financial institutions by the Group.

FINANCIAL REVIEW (continued)

Gearing Ratio

As at 31 December 2013, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 3%. Exclusion of the effect on early redemption of bill receivables amounting to approximately HK$578 million, the Group's gearing ratio would be almost zero.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2013, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2013, RMB was appreciated by approximately 2% while AUD was depreciated by approximately 14%, when compared to that as at 31 December 2012. As the aggregate carrying amount of assets denominated in AUD represented approximately 4% of the Group's total asset values as at 31 December 2013, the fall in exchange rate of AUD did not have any material effect on the Group's financial position and performance.

Liquidity and Financial Resources

As at 31 December 2013, the Group's current ratio (current assets divided by current liabilities) was approximately 2.9 times and the Group's cash and bank deposits amounted to approximately HK$5,793 million, of which approximately HK$205 million was deposited to secure bills facilities of approximately HK$193 million.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$1,794 million (of which approximately HK$748 million represented discounted and endorsed bill receivables and approximately HK$191 million was used for securing bills facilities of approximately HK$191 million) as at 31 December 2013 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bill receivables of approximately HK$855 million, the Group's free cash resources would have approximately HK$6,443 million as at 31 December 2013.

Capital Structure

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 31 December 2013, the amount of capital was approximately HK$22,239 million.

During the year under review, there was no change in the issued capital of the Company. As at 31 December 2013, the issued capital of the Company was approximately HK$530 million, represented approximately 5,302 million shares in number.

As at 31 December 2013, all borrowings of the Group are denominated in RMB. Of which, the borrowings of approximately HK$578 million are asset-backed financing. The remaining balance of the borrowings of approximately HK$2 million is interest-free and repayable on demand.

EMPLOYEES

As at 31 December 2013, the Group had 28 Hong Kong employees and 6,700 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group has a share option scheme. During the year under review, no share option was granted or exercised.

FUTURE PROSPECTS

Looking into year 2014, both US and Japanese economy show signs of recovery, European economy shows clear signals to start to get recovery as well. Global economy is looking for momentum. China government anticipates GDP growth rate at 7.5%, however focuses more on employment. Under the situation of slowing growth, key factors to underpin economic growth change significantly, bottom range of commodity and resources cycle, capital expenditure increased significantly in the industry thus created overcapacity over past years, this will lead to a challenge 2014.

Steel dynamics comes from domestic demand. Investment, urbanisation infrastructure and public housing are important impetus for steel industry. According to 2014 central government budget, RMB457.6 billion will be invested in affordable housing and railway construction in mid and west of China. In order to improve people's quality of life, under government's new urbanisation plan, new construction of public housing will increase by 1 million to 7 million units, among them the work of renovating shantytowns will be 4.7 million units. Meanwhile infrastructure construction is aiming to speed up. Fixed asset investment in railway for 2014 will reach RMB630 billion, 6,600 km newly built railway line will start to come into force. These will drive up the domestic demand, increase industrial growth and stimulate steel demand. Meanwhile, environmental protection and elimination out-of-date productivity will discipline Chinese steel industry, inevitably increase steel industry's profitability.

We believe that coking coal as the upstream resource to steel will benefit as well. In near and medium term, domestic and international coking coal supply is sufficient, coking coal price will face with challenge. In long term, structural shortfall of coking coal supply makes coking coal still attractive.

Looking into the future, the Group will leverage on our financial strength, abundant experience in operation, management and sales to prudently and actively source for suitable assets to upgrade resources and reserves, expand production capacity and strengthen the Company's leading position and influence in the industry, for future business development and create greater return for our shareholders.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

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

BOARD OF DIRECTORS

Composition

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

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

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

Save for those as disclosed in the section headed "Directors' Biographies" as set out on pages 3 to 10 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

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

BOARD OF DIRECTORS (continued)

Composition (continued)

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

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

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

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

Board diversity

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

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

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

Role and function of the Board and the management

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

BOARD OF DIRECTORS (continued)

Board meetings

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

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

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

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

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

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

Attendance records

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

BOARD OF DIRECTORS (continued)

Attendance records (continued)

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

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng *(Chairman)*	4/4
Chen Zhouping	4/4
Wong Lik Ping	1/4
So Kwok Hoo	4/4
Chen Zhaoqiang	4/4
Liu Qingshan	4/4
Non-executive Directors	
Leung Shun Sang, Tony	4/4
Zhang Yaoping	3/4
Xiang Xu Jia *(appointed on 1 September 2013)*	2/2
Independent Non-executive Directors	
Kee Wah Sze	4/4
Choi Wai Yin	2/4
Chan Pat Lam	4/4
Chan Chung Chun	4/4
Japhet Sebastian Law *(appointed on 1 September 2013)*	2/2

Access to information

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

Appointment and re-election of Directors

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

BOARD OF DIRECTORS (continued)

Appointment and re-election of Directors (continued)

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

All Non-executive Directors have entered into letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

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

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

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

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

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

Insurance for directors' and officers' liability

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

BOARD OF DIRECTORS (continued)

Directors' training and professional development

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

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

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

	Continuous professional development	
Directors	**Type** *(Note I)*	**Subject** *(Note II)*
Li Shaofeng	A	1
	B	4
Chen Zhouping	A	1
	B	4
Wong Lik Ping	A	2, 3, 4
	B	4
So Kwok Hoo	A	1, 4
	B	4
Chen Zhaoqiang	A	1
	B	4
Liu Qingshan	A	1
	B	4
Leung Shun Sang, Tony	A	1
Zhang Yaoping	A	1
Xiang Xu Jia	A	1
Kee Wah Sze	A	1
Choi Wai Yin	A	2
	B	3, 4
Chan Pat Lam	A	1
Chan Chung Chun	A	1
Japhet Sebastian Law	A	1

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

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

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR

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

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

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;

- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;

- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;

- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

BOARD COMMITTEES

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

BOARD COMMITTEES (continued)

Executive Committee

An Executive Committee of the Board was established in May 2009 with specific written terms of reference which deal clearly with its authorities and duties.

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

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

The Executive Committee comprises all Executive Directors of the Company.

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

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	2/2
Chen Zhouping	2/2
Wong Lik Ping	2/2
So Kwok Hoo	2/2
Chen Zhaoqiang	2/2
Liu Qingshan	2/2

BOARD COMMITTEES (continued)

Executive Committee (continued)

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

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

Audit Committee

An Audit Committee of the Board was established in October 1999 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

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

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

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

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

BOARD COMMITTEES (continued)

Audit Committee (continued)

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

Committee members	Number of meeting(s) attended/eligible to attend
Choi Wai Yin *(chairman of the committee)*	2/2
Kee Wah Sze	2/2
Chan Pat Lam	2/2
Chan Chung Chun	2/2
Japhet Sebastian Law *(appointed as a member on 1 September 2013)*	0/0

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

- reviewing the final results of the Group for the financial year ended 31 December 2012; and

- reviewing the interim results of the Group for the six months ended 30 June 2013.

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

Nomination Committee

A Nomination Committee of the Board was established in May 2009 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

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

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

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

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

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

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

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

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

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

Committee members	**Number of meeting(s) attended/eligible to attend**
Li Shaofeng *(chairman of the committee)*	3/3
Wong Lik Ping	0/3
Kee Wah Sze	3/3
Choi Wai Yin	2/3
Chan Pat Lam	3/3
Chan Chung Chun	3/3
Japhet Sebastian Law *(appointed as a member on 1 September 2013)*	1/1

BOARD COMMITTEES (continued)

Nomination Committee (continued)

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

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting;
- considering and making recommendations to the Board for the appointments of Mr. Xiang Xu Jia as a Non-executive Director of the Company and Mr. Japhet Sebastian Law as an Independent Non-executive Director of the Company; and
- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board.

Remuneration Committee

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

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;
- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

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

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

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

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

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

Committee members	**Number of meeting(s) attended/eligible to attend**
Chan Chung Chun *(chairman of the committee)*	2/2
Li Shaofeng	2/2
Leung Shun Sang, Tony	2/2
Kee Wah Sze	2/2
Choi Wai Yin	1/2
Chan Pat Lam	2/2
Japhet Sebastian Law *(appointed as a member on 1 September 2013)*	1/1

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

- making recommendations to the Board on the terms of the engagement letters and director's fees of Mr. Xiang Xu Jia and Mr. Japhet Sebastian Law;

- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2014;

- considering the bonuses of the Executive Directors of the Company for the year 2013; and

- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2014.

Details of remuneration paid to Directors and senior management for the year are set out in note 15 to the financial statements.

COMPANY SECRETARY

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

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

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

INTERNAL CONTROL

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

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

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

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

INTERNAL CONTROL (continued)

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

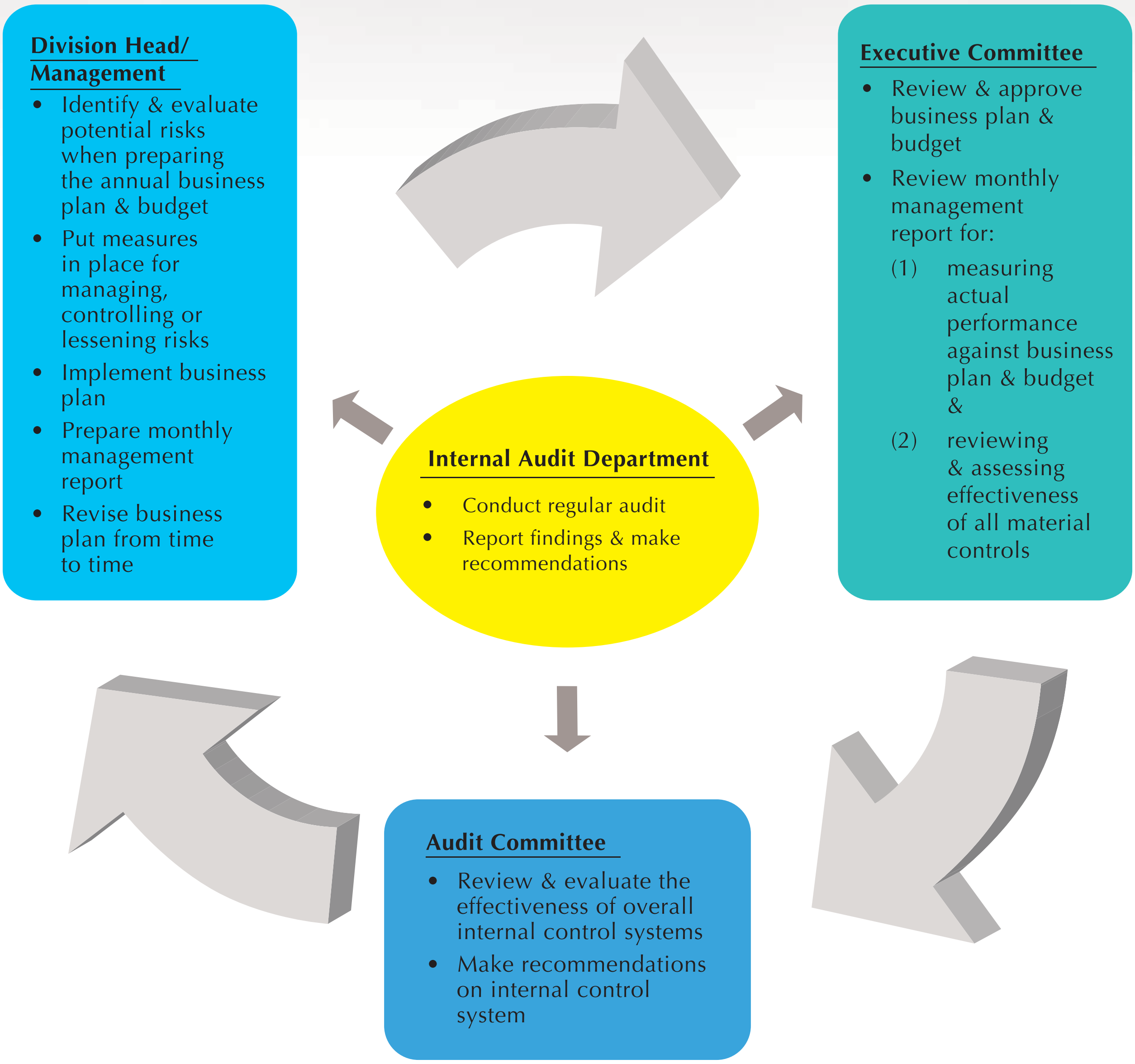
The internal control system of the Group is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

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

The Company set up an Internal Audit Department in August 2011 which assists the Board and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

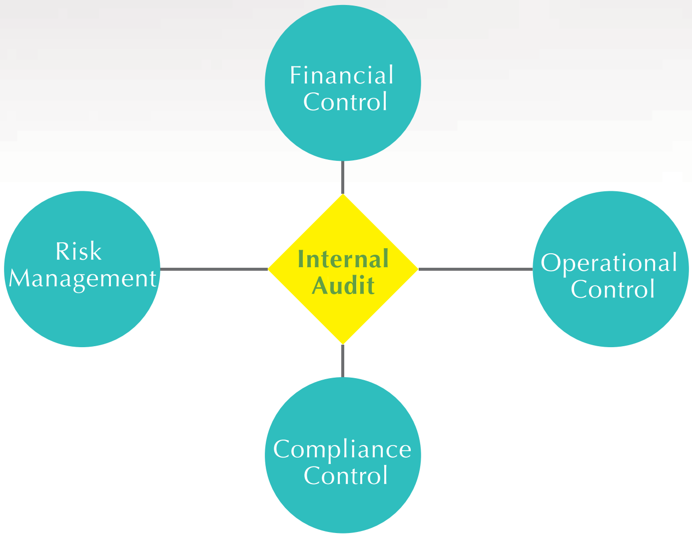
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	*HK$'000*
Statutory audit services for 2013	1,530
Non-statutory audit services:	
Review on interim financial report	280
Other services	216
	2,026

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the auditor of the Company, BDO Limited, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 66 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

COMMUNICATION WITH SHAREHOLDERS (continued)

The Chairman and the auditor of the Company, BDO Limited, attended the annual general meeting of the Company held on 18 June 2013 (the "2013 AGM"). Details of the Directors' attendances at the 2013 AGM are as follows:

Directors (as at the date of 2013 AGM)	Attendance
Executive Directors	
Li Shaofeng *(Chairman)*	✓
Chen Zhouping	✓
Wong Lik Ping	×
So Kwok Hoo	✓
Chen Zhaoqiang	✓
Liu Qingshan	✓
Non-executive Directors	
Leung Shun Sang, Tony	✓
Zhang Yaoping	✓
Independent Non-executive Directors	
Kee Wah Sze	✓
Choi Wai Yin	✓
Chan Pat Lam	✓
Chan Chung Chun	✓

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

SHAREHOLDERS' RIGHTS

Convene an extraordinary general meeting

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

Put forward proposals at shareholders' meetings

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

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

Shareholders' enquiries

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

CONSTITUTIONAL DOCUMENTS

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

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associate are set out in notes 20 and 22 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the financial statements on pages 67 to 149 of this annual report.

The Board of Directors of the Company recommends a final dividend of HK7.8 cents per ordinary share for the year ended 31 December 2013 (2012: HK10 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 11 June 2014. This dividend is subject to shareholders' approval at the Company's annual general meeting to be held on Friday, 6 June 2014. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014), not later than 4:30 p.m. on Wednesday, 11 June 2014 for registration. The final dividend is expected to be paid on or about Wednesday, 25 June 2014.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 150 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2013 are set out in note 31 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

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 pages 73 to 74 of this annual report and in note 36 to the financial statements, respectively.

DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$261,576,000.

DIRECTORS

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

Li Shaofeng	
Chen Zhouping	
Wong Lik Ping	
So Kwok Hoo	
Chen Zhaoqiang	
Liu Qingshan	
Leung Shun Sang, Tony	
Zhang Yaoping	
Xiang Xu Jia	*(appointed on 1 September 2013)*
Kee Wah Sze*	
Choi Wai Yin*	
Chan Pat Lam*	
Chan Chung Chun*	
Japhet Sebastian Law*	*(appointed on 1 September 2013)*

* *Independent Non-executive Director*

In accordance with clauses 94 and 103(A) of the Company's articles of association, Messrs. Chen Zhouping, Wong Lik Ping, Leung Shun Sang, Tony, Zhang Yaoping, Xiang Xu Jia, Choi Wai Yin and Japhet Sebastian Law will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

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

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

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

Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			
Name of Director	**Capacity in which interests were held**	**Interests in shares**	**Derivative interests***	**Total interests**	**Total interests as to % of the issued share capital of the Company as at 31.12.2013**
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Wong Lik Ping	Beneficial owner	–	4,500,000	4,500,000	0.08%
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.14%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
Liu Qingshan	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%
Zhang Yaoping	Beneficial owner	–	4,500,000	4,500,000	0.08%
Kee Wah Sze	Beneficial owner	700,000	3,200,000	3,900,000	0.07%
Choi Wai Yin	Beneficial owner	–	3,200,000	3,200,000	0.06%
Chan Pat Lam	Beneficial owner	200,000	3,200,000	3,400,000	0.06%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 20 June 2003 (the "2003 Scheme"). Upon exercise of the share options in accordance with the 2003 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Concord International Enterprises Company Limited ("Shougang International")#	Sale and trading of coal	Director
Chen Zhouping	Shougang International#	Sale and trading of coal	Director
Wong Lik Ping	King Steel Limited#	Production and sales of coal products	Shareholder
Leung Shun Sang, Tony	Shougang International#	Sale and trading of coal	Director

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

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

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

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 31.12.2013	*Note*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	1,582,864,490	29.85%	*1*
Shougang International	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%	*1*
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.52%	*1*
Ultimate Capital Limited ("Ultimate Capital")	Beneficial owner	650,000,000	12.25%	*1*
Sino Life Insurance Co., Ltd.	Beneficial owner	1,272,718,306	24.01%	

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

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

Note:

1. Shougang Holding indicated in its disclosure form dated 8 December 2011 (being the latest disclosure form filed up to 31 December 2013) that as at 6 December 2011, its interests included the interests held by Shougang International, a company which was held as to 47.80% by Shougang Holding, as well as Fine Power and Ultimate Capital, each of which was a wholly-owned subsidiary of Shougang International.

   Shougang International indicated in its disclosure form dated 9 May 2011 (being the latest disclosure form filed up to 31 December 2013) that as at 5 May 2011, its interests included the interests held by Fine Power and Ultimate Capital.

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

PUBLIC FLOAT

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

SHARE OPTION SCHEMES

On 20 June 2003, the shareholders of the Company adopted the 2003 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2003 Scheme (to the effect that no further share option shall be granted by the Company under the 2003 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2003 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2003 Scheme.

A summary of the principal terms of each of the 2003 Scheme and the 2012 Scheme is set out below:

(a) The 2003 Scheme

The purpose of the 2003 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and its subsidiaries. The 2003 Scheme was adopted on 20 June 2003 and terminated on 29 May 2012.

Under the 2003 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), employees, suppliers, customers, research development or other technological support providers, shareholders, of any member of the Group or any entity in which any member of the Group holds any equity interest, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2003 Scheme is 261,000,000 which represents approximately 4.92% of the shares of the Company in issue as at the date of this annual report. Since the 2003 Scheme was terminated on 29 May 2012, no further options can be granted under the 2003 Scheme. However, the share options granted under the 2003 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2003 Scheme.

Each of the grantees is not required to pay consideration for the grant of options in accordance with the 2003 Scheme. The offer shall not be open for acceptance after the expiry of the 2003 Scheme or the termination of the 2003 Scheme in accordance with the provisions of the 2003 Scheme.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2003 Scheme and the 2012 Scheme.

SHARE OPTION SCHEMES (continued)

(a) The 2003 Scheme (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the 2003 Scheme during the year. Details of movements in the share options under the 2003 Scheme during the year are as follows:

	Options to subscribe for shares of the Company					
Category or name of grantees	At the beginning of the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company						
Chen Zhouping	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Wong Lik Ping	4,500,000	–	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
So Kwok Hoo	3,500,000	–	3,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chen Zhaoqiang	8,000,000	–	8,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Liu Qingshan	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Leung Shun Sang, Tony	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Zhang Yaoping	4,500,000	–	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Kee Wah Sze	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Choi Wai Yin	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chan Pat Lam	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	48,100,000	–	48,100,000			

SHARE OPTION SCHEMES (continued)

(a) The 2003 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company At the beginning of the year	 Lapsed during the year	 At the end of the year	Date of grant	Exercise period	Exercise price per share
Employees of the Group	6,000,000	(6,000,000)[1]	–	26.04.2006	26.04.2008 – 25.04.2013	HK$1.50
	97,100,000	(200,000)[2]	96,900,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	103,100,000	(6,200,000)	96,900,000			
Other participants	116,000,000	–	116,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	116,000,000	–	116,000,000			
	267,200,000	(6,200,000)	261,000,000			

Notes:

1. The share options lapsed on 26 April 2013, being the expiry date of the relevant exercise period.

2. The share options were held by a grantee who ceased to be an employee of the Group on 1 January 2013. Such share options lapsed on 1 January 2013 according to the terms of the 2003 Scheme.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2003 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

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

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 530,183,784, representing 10% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

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

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

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

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

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

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

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had approximately HK$1,054,274,000 reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance, of which approximately HK$413,543,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 59% of the total sales for the year and sales to the largest customer included therein amounted to approximately 20%. Purchases from the Group's five largest suppliers accounted for approximately 49% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 29%. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

(a) As stated in the announcement of the Company dated 30 December 2011, a coal supply agreement was entered into between the Company and Shougang International on 30 December 2011 (the "Coal Supply Agreement") to govern the coal supply to Shougang International and/or its associates by the Group for the three financial years ending 31 December 2014. Pursuant to the Coal Supply Agreement, the cap amounts (exclusive of value added tax) for the supply of premier clean coking coal for each of the three financial years ending 31 December 2014 are as follows:

	For the financial year ended 31 December 2012 *RMB' million*	**For the financial year ended 31 December 2013** *RMB' million*	**For the financial year ending 31 December 2014** *RMB' million*
Cap amounts for the supply of premier clean coking coal	100	150	200

The basis of determining the prices for the continuing connected transactions contemplated under the Coal Supply Agreement will be in accordance with: (1) a comparable market price, if the comparable market price is available; or (2) if no comparable market price can be taken as a reference, by agreement between the parties on an arm's length basis and such prices shall be no less favourable to the Company than that available from third parties.

As at the date of the Coal Supply Agreement, Shougang International was a substantial shareholder of the Company and thus was a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Coal Supply Agreement constituted connected transaction for the Company. Details of the Coal Supply Agreement were disclosed in the announcement of the Company dated 30 December 2011. The Coal Supply Agreement and the continuing connected transactions contemplated thereunder were exempted from the approval of independent shareholders of the Company.

The Group has been supplying coal products to Shougang International in its ordinary and usual course of business in the past few years. The entering into of the Coal Supply Agreement can secure procurement of the coal produced by the Group.

During the year, no transaction was entered into between the Group and Shougang International and/or its associates under the Coal Supply Agreement.

CONTINUING CONNECTED TRANSACTIONS (continued)

(b) As stated in the announcement of the Company dated 12 November 2010, a master agreement was entered into between the Company and Mr. Xing Libin ("Mr. Xing") on 12 November 2010 (the "Master Agreement"). Pursuant to the Master Agreement, the Group would supply products (principally clean coking coal, raw coking coal and other coal products) and side products, raw materials, materials, fuel, energy (principally electricity and water), mechanical equipment, equipment, spare parts, accessories, tools, fixed assets, provision of construction and/or other services; and leasing of properties (the "Products/Services") to Mr. Xing and his associates (the "Sales") and Mr. Xing and his associates would supply the Products/Services to the Group (the "Purchases") during the three financial years ended 31 December 2013. The cap amounts (exclusive of value added tax) of the Sales and the Purchases for each of the three financial years ended 31 December 2013 are as follows:

	For the financial year ended 31 December 2011 *RMB' million*	**For the financial year ended 31 December 2012** *RMB' million*	**For the financial year ended 31 December 2013** *RMB' million*
Cap amount for the Sales	1,120	1,210	1,310
Cap amount for the Purchases	1,660	1,800	1,950

The basis of determining the prices for the continuing connected transactions contemplated under the Master Agreement will be in accordance with: (1) a comparable market price, if the comparable market price is available; or (2) if no comparable market price can be taken as a reference, by agreement between the parties on an arm's length basis and such prices shall be no less favourable to/from third parties.

As at the date of the Master Agreement, Mr. Xing was an associate of a substantial shareholder of each of certain subsidiaries and a director of a subsidiary of the Company, thus, he was a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Master Agreement constituted connected transaction for the Company. Details of the Master Agreement were disclosed in the announcement of the Company dated 12 November 2010 and in the circular of the Company dated 1 December 2010. The Master Agreement and the continuing connected transactions contemplated thereunder were approved by the independent shareholders of the Company on 17 December 2010.

As Mr. Xing ceased as a substantial shareholder of the Company from 26 February 2013, Shanxi Liulin Jinjiazhuang Coal Co., Ltd.* ("Jinjiazhuang") and Liulin Luenshan Coking Company Limited* ("Luenshan"), both non wholly-owned subsidiaries of the Company, ceased to be connected persons of the Company from 26 February 2013. Therefore, the transactions between the Group and Jinjiazhuang or Luenshan under the Master Agreement took place on or after 26 February 2013 would not constitute continuing connected transactions for the Company any more.

* *The English translation is unofficial and for identification purpose only.*

CONTINUING CONNECTED TRANSACTIONS (continued)

(b) The Group has conducted the Sales and the Purchases in its ordinary and usual course of business. The Sales and the Purchases will be cost efficient to the Group given the geographical proximity of the coal mines owned by the Group to those owned by Mr. Xing and Mr. Xing and his associates will be secured as suppliers or customers to the Group.

The continuing connected transactions as set out in (b) above which took place during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

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

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

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

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

As regards the transactions set out in note 40 to the financial statements under the heading of "Related Party Transactions – Group", the transactions as set out in note 40(i) were connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The transactions set out in notes 40(ii) and 40(iii) to the financial statements did not constitute connected transactions of the Company under the Listing Rules.

The transactions set out in note 40(iv) to the financial statements were the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company and were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 47 of this annual report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 27 March 2014

INDEPENDENT AUDITOR'S REPORT

BDO

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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

To the shareholders of Shougang Fushan Resources Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Fushan Resources Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 67 to 149, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, 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 profit 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.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo

Practising Certificate Number: P04434

Hong Kong, 27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	5	**4,268,232**	5,650,590
Cost of sales		**(2,095,216)**	(2,064,788)
Gross profit		**2,173,016**	3,585,802
Other operating income	7	**385,001**	323,570
Selling and distribution expenses		**(142,007)**	(270,039)
General and administrative expenses		**(319,221)**	(370,173)
Other operating expenses		**(266,894)**	(293,587)
Operating profit		**1,829,895**	2,975,573
Finance costs	8	**(24,458)**	(26,891)
Change in fair value of derivative financial instruments		**25,430**	24,097
Share of loss of an associate		**(943)**	(730)
Profit before income tax	9	**1,829,924**	2,972,049
Income tax expense	10	**(530,685)**	(821,809)
Profit for the year		**1,299,239**	2,150,240
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**307,101**	92,365
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(9,442)**	(470,995)
Total comprehensive income for the year		**1,596,898**	1,771,610
Profit for the year attributable to:			
Owners of the Company	11	**1,115,066**	1,800,367
Non-controlling interests		**184,173**	349,873
Profit for the year		**1,299,239**	2,150,240
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,377,033**	1,408,971
Non-controlling interests		**219,865**	362,639
Total comprehensive income for the year		**1,596,898**	1,771,610
		HK (Cents)	HK (Cents)
Earnings per share	13		
– Basic		**21.03**	33.80
– Diluted		**21.03**	33.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**3,609,675**	3,599,184
Prepaid lease payments	17	**60,681**	60,785
Mining rights	18	**10,410,259**	10,440,937
Goodwill	19	**2,319,205**	2,264,910
Interest in an associate	22	**18,894**	19,376
Financial assets measured at fair value through other comprehensive income	23	**1,290,877**	1,300,109
Deposits, prepayments and other receivables	24	**312,375**	346,484
Deferred tax assets	34	**27,586**	31,592
Total non-current assets		**18,049,552**	18,063,377
Current assets			
Inventories	25	**221,019**	163,282
Trade and bill receivables	26	**2,590,184**	3,540,491
Deposits, prepayments and other receivables		**203,485**	182,857
Derivative financial instruments		**13,661**	24,645
Pledged bank deposits	27	**204,790**	171,855
Time deposits with original maturity over three months	28	**3,450,606**	1,692,681
Cash and cash equivalents	28	**2,137,611**	2,981,333
Total current assets		**8,821,356**	8,757,144
Current liabilities			
Trade and bill payables	29	**663,324**	717,908
Other payables and accruals	30	**1,526,846**	1,675,303
Borrowings	31	**580,009**	1,075,448
Derivative financial instruments		**–**	241
Amounts due to non-controlling interests of subsidiaries	33	**20,635**	21,475
Tax payables		**269,627**	325,252
Total current liabilities		**3,060,441**	3,815,627
Net current assets		**5,760,915**	4,941,517
Total assets less current liabilities		**23,810,467**	23,004,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Deferred tax liabilities	34	**2,151,302**	2,142,911
Total non-current liabilities		**2,151,302**	2,142,911
Net assets		**21,659,165**	20,861,983
EQUITY			
Equity attributable to owners of the Company			
Share capital	35	**530,184**	530,184
Reserves	36	**19,397,199**	18,693,500
Total equity attributable to owners of the Company		**19,927,383**	19,223,684
Non-controlling interests		**1,731,782**	1,638,299
Total equity		**21,659,165**	20,861,983

Li Shaofeng
Director

Chen Zhouping
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**600**	1,161
Interests in subsidiaries	20	**120,456**	190,244
Total non-current assets		**121,056**	191,405
Current assets			
Amounts due from subsidiaries	21	**20,228,168**	19,501,393
Deposits, prepayments and other receivables		**37,335**	20,156
Time deposits with original maturity over three months	28	**2,702,211**	1,444,205
Cash and cash equivalents	28	**1,492,169**	2,320,778
Total current assets		**24,459,883**	23,286,532
Current liabilities			
Amounts due to subsidiaries	32	**7,800,899**	6,337,328
Other payables and accruals	30	**16,001**	16,207
Borrowings	31	**–**	193,100
Total current liabilities		**7,816,900**	6,546,635
Net current assets		**16,642,983**	16,739,897
Total assets less current liabilities		**16,764,039**	16,931,302
Net assets		**16,764,039**	16,931,302
EQUITY			
Share capital	35	**530,184**	530,184
Reserves	36	**16,233,855**	16,401,118
Total equity		**16,764,039**	16,931,302

Li Shaofeng
Director

Chen Zhouping
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Profit before income tax		**1,829,924**	2,972,049
Adjustments for:			
Amortisation of prepaid lease payments		**1,563**	1,536
Amortisation of mining rights		**281,051**	275,690
Depreciation of property, plant and equipment		**283,158**	251,640
Finance costs		**24,458**	26,891
Provision for impairment on trade receivables		**3,407**	18,426
Share of loss of an associate		**943**	730
Interest income		**(129,623)**	(122,731)
Dividend income on financial assets measured at fair value through other comprehensive income		**(50,496)**	(53,986)
Loss on disposals of property, plant and equipment		**941**	15,042
Change in fair value of derivative financial instruments		**(25,430)**	(24,097)
Net foreign exchange gain		**(121,852)**	(59,323)
Operating profit before working capital changes		**2,098,044**	3,301,867
(Increase)/Decrease in inventories		**(53,787)**	28,774
Decrease in trade and bill receivables		**710,716**	697,419
Decrease/(Increase) in deposits, prepayments and other receivables		**616**	(54,759)
Decrease in trade and bill payables		**(39,531)**	(325,133)
Decrease in other payables and accruals		**(104,618)**	(205,536)
(Decrease)/Increase in amounts due to non-controlling interests of subsidiaries		**(1,360)**	2,546
Proceeds from financial assets measured at fair value through profit or loss		**–**	935
Cash generated from operations		**2,610,080**	3,446,113
Income tax paid		**(632,558)**	(1,221,106)
Net cash generated from operating activities		**1,977,522**	2,225,007

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(282,684)**	(404,093)
Payments to acquire mining rights		**–**	(68,973)
Payments to acquire prepaid lease payments		**–**	(982)
Proceeds from disposals of property, plant and equipment		**628**	2,317
Receipts of the repayments on a loan to a party		**–**	234,342
(Increase)/Decrease in pledged bank deposits		**(28,777)**	185,165
Increase in time deposits with original maturity over three months		**(1,757,925)**	(1,692,681)
Interest received		**111,632**	112,460
Dividend received		**50,496**	53,986
Net cash used in investing activities		**(1,906,630)**	(1,578,459)
Cash flows from financing activities			
Payments on share repurchased		**–**	(197,535)
Repayments of bank borrowings		**(193,750)**	(697,213)
Repayments of other borrowings		**–**	(1,891)
Finance costs paid		**(24,029)**	(39,395)
Dividends paid to owners of the Company		**(673,334)**	(954,285)
Dividends paid to non-controlling interests of subsidiaries		**(218,257)**	(315,894)
Capital injection from non-controlling interest of a subsidiary		**91,875**	–
Net cash used in financing activities		**(1,017,495)**	(2,206,213)
Net decrease in cash and cash equivalents		**(946,603)**	(1,559,665)
Cash and cash equivalents at 1 January		**2,981,333**	4,517,196
Effect of foreign exchange rates changes		**102,881**	23,802
Cash and cash equivalents at 31 December		**2,137,611**	2,981,333
Cash and cash equivalents at 31 December, represented by:			
Bank balances and cash	28	**2,137,611**	2,981,333

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security investment reserve	Translation reserve	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	530,184	14,618,903	7,872	448,068	519,374	2,572,860	564,179	(1,030,122)	992,366	19,223,684	1,638,299	20,861,983
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	91,875	91,875
2012 final dividends approved (Note 12)	–	–	–	–	–	(530,184)	–	–	–	(530,184)	–	(530,184)
2013 interim dividends declared (Note 12)	–	–	–	–	–	(143,150)	–	–	–	(143,150)	–	(143,150)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(218,257)	(218,257)
Transactions with owners of the Company	–	–	–	–	–	(673,334)	–	–	–	(673,334)	(126,382)	(799,716)
Profit for the year	–	–	–	–	–	1,115,066	–	–	–	1,115,066	184,173	1,299,239
Other comprehensive income for the year:												
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	267,961	267,961	39,140	307,101
– Fair value loss on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–	–	(5,994)	–	(5,994)	(3,448)	(9,442)
Total comprehensive income for the year	–	–	–	–	–	1,115,066	–	(5,994)	267,961	1,377,033	219,865	1,596,898
Appropriations to other reserves (Note 36)	–	–	–	–	19,507	(19,507)	–	–	–	–	–	–
Lapse of share options	–	–	–	–	–	11,373	(11,373)	–	–	–	–	–
At 31 December 2013	530,184	14,618,903	7,872	448,068	538,881	3,006,458	552,806	(1,036,116)	1,260,327	19,927,383	1,731,782	21,659,165

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security investment reserve	Translation reserve	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	537,751	14,618,903	305	383,099	331,725	2,176,977	564,179	(559,127)	912,767	18,966,579	1,591,554	20,558,133
Share repurchased	(7,567)	–	7,567	–	–	(197,535)	–	–	–	(197,535)	–	(197,535)
2011 final dividends approved (Note 12)	–	–	–	–	–	(689,239)	–	–	–	(689,239)	–	(689,239)
2012 interim dividends declared (Note 12)	–	–	–	–	–	(265,092)	–	–	–	(265,092)	–	(265,092)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(315,894)	(315,894)
Transactions with owners of the Company	(7,567)	–	7,567	–	–	(1,151,866)	–	–	–	(1,151,866)	(315,894)	(1,467,760)
Profit for the year	–	–	–	–	–	1,800,367	–	–	–	1,800,367	349,873	2,150,240
Other comprehensive income for the year:												
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	79,599	79,599	12,766	92,365
– Fair value loss on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–	–	(470,995)	–	(470,995)	–	(470,995)
Total comprehensive income for the year	–	–	–	–	–	1,800,367	–	(470,995)	79,599	1,408,971	362,639	1,771,610
Appropriations to other reserves (Note 36)	–	–	–	–	187,649	(187,649)	–	–	–	–	–	–
Appropriations to statutory reserves (Note 36)	–	–	–	64,969	–	(64,969)	–	–	–	–	–	–
At 31 December 2012	530,184	14,618,903	7,872	448,068	519,374	2,572,860	564,179	(1,030,122)	992,366	19,223,684	1,638,299	20,861,983

1. GENERAL INFORMATION

Shougang Fushan Resources Group Limited ("the Company") is a limited liability company incorporated and domiciled in Hong Kong. Its registered office address is 6th Floor, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("The Stock Exchange"). The principal places of business of the Company and its subsidiaries (collectively referred to as "the Group") are in Hong Kong and the People's Republic of China ("the PRC").

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group's operations during the year. Details of the activities of the principal subsidiaries of the Group are set out in Note 20.

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 27 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 67 to 149 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The significant accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared under the historical cost basis except for certain financial instruments classified as financial assets measured at fair value through other comprehensive income (Note 23) and derivative financial instruments which are measured at fair values. The measurement bases are fully described in the accounting policies below.

The financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in Note 4.

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Business combination and basis of consolidation (continued)

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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

When the Group losses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interests having a deficit balance.

2.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

2.5 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Goodwill (continued)

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress (“CIP”), are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Other than mining structures, depreciation is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings and plants	The shorter of the lease terms or 5%
Mining machinery and equipment	10%
Leasehold improvements	The shorter of the lease terms or 33 $^{1}/_{3}$%
Office equipment	20% to 33 $^{1}/_{3}$%
Furniture and fixtures	20% to 33 $^{1}/_{3}$%
Motor vehicles and transportation equipment	10% to 25%

Depreciation on mining structures is provided to write off the cost of the mining structures using the units of production method utilising only proved and probable coal reserves as the depletion base.

The assets’ estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

CIP is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the CIP is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of CIP until it is completed and ready for its intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Net gain or loss on disposal of an item of property, plant and equipment is the difference between the sales proceeds and its carrying amount, and is recognised in profit or loss on disposal.

2.7 Mining rights

Mining rights are stated at cost less accumulated amortisation and are amortised on the units of production method based on the total proven and probable reserves of the coal mine.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- goodwill arising on acquisition of subsidiaries;
- prepaid lease payments;
- mining rights;
- property, plant and equipment; and
- interests in subsidiaries and an associate.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Impairment of non-financial assets (continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

2.10 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of value-added tax ("VAT"), rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Interest income is accrued on time basis on the principal outstanding at the applicable interest rate.

Dividend income is recognised when the right to receive the dividend is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs is suspended or ceases when the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2.12 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Prepaid lease payments

Upfront payments made to acquire land, on which various mining plants and buildings are suited, held under operating lease are stated at costs less accumulated amortisation and any impairment losses. Amortisation is calculated on straight-line method over the term of the lease of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

Assets acquired under finance leases

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. Interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

Operating lease charges as the lessee

The total rentals payable under operating leases are recognised in profit or loss on straight-line method over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease. Contingent rentals are charged to profit or loss in the year in which they are incurred.

2.13 Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised and de-recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. De-recognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Following the adoption of HKFRS 9, investments and other financial assets of the Group at 1 January 2011 are classified under the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss; and
- financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortised cost

Financial assets are classified under this category if they satisfy both of the following conditions:

- assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows for managing liquidity and generating income on its investment, but not for the purpose of realising fair value gains; and
- contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and are unleveraged.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial assets (continued)

***Financial assets measured at amortised cost** (continued)*

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using effective interest method less any impairment. On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost. Investments in equity instruments are classified as at fair value through profit or loss, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income at initial recognition as described below.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on investments in equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Investments in equity instruments that the Group intends to held for long-term strategic purpose and classified under this category. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial assets (continued)

***Financial assets measured at fair value through other comprehensive income** (continued)*

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the security investment reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in security investment reserve is not reclassified to profit or loss, but is reclassified directly to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

At each reporting date, financial assets other than at fair value are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial assets (continued)

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses for doubtful receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using weighted average method, and in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represented the estimated net selling prices in the ordinary course of business less the estimated costs necessary to make the sale.

2.15 Income taxes

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Income taxes (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and an associate, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

2.16 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Employee benefit

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its Hong Kong employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefit (continued)

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share-based compensation reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options have exercised, the amount previously recognised in share-based compensation reserve is transferred to share premium. After vesting date, when the vested share options have forfeited or still have not been exercised at the expiry date, the amount previously recognised in share-based compensation reserve is transferred to retained profit.

2.20 Financial liabilities

The Group's financial liabilities include borrowings, amounts due to non-controlling interests of subsidiaries, derivative financial instruments, trade and bill payables, other payables and accruals.

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.11).

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial liabilities (continued)

Borrowings

Borrowings, which include bank borrowings, other borrowings and asset-backed financing, are recognised initially at fair value, net of transaction costs incurred. These are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.12).

Other financial liabilities at amortised cost

Amounts due to non-controlling interests of subsidiaries, trade and bill payables, other payables and accruals are recognised initially at their fair values and subsequently measured at amortised cost, using effective interest method.

Derivatives

Derivatives including separated embedded derivatives are measured at fair value (see Note 2.16).

2.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other party is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. Each of the operating segments is managed separately as each of the product lines requires different resources as well as operating approaches. All inter-segment transfers are carried out at arm's length prices. The Group has identified one reportable segment as follows:

Coking coal mining: Mining and exploration of coal resources and production of raw and clean coking coal in the PRC

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that change in fair value of derivative financial instruments, interest income, finance costs, share of result of an associate, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include property, plant and equipment, prepaid lease payments, mining rights, goodwill, inventories, receivables and operating cash and mainly exclude financial assets measured at fair value through other comprehensive income, derivative financial instruments, deferred tax assets, interests in an associate and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include tax payables, derivative financial instruments, deferred tax liabilities and corporate borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of guarantee initially recognised as deferred income is amortised in profit or loss over the terms of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3. ADOPTION OF HKFRSs

3.1 Adoption of new or revised HKFRSs – effective on 1 January 2013

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle

The impact of the above new or revised HKFRSs on the Group's financial statements are disclosed below.

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new or revised HKFRSs – effective on 1 January 2013 (continued)

Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

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

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments has no impact on the Group's financial statements as the Group has not offset financial instruments, nor has it entered into a master netting agreement or a similar arrangement.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determine whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries, associates and joint arrangements. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. HKFRS 12 disclosures are provided in Notes 20 and 22. As the new standard affect only disclosures, there is no effect on the Group's financial position and performance.

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new or revised HKFRSs – effective on 1 January 2013 (continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as 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 (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

HKAS 19 (2011) Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policy for short-term employee benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new or revised HKFRSs – effective on 1 January 2013 (continued)

HKFRSs (Amendments) Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

3.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
HK (IFRIC) 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 Hedge Accounting

The Group has early adopted HKFRS 9 (2010) and will continue to apply HKFRS 9 (2010). The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in the financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

HK (IFRIC) 21 Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

4.1 Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4.2 Impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment in accordance with the accounting policy as stated in Note 2.5. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates about future cash flow expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. In addition, since the cash flow projections are extrapolated beyond 5 years and the license period of the mining rights held by the Group ranges from 2 to 30 years, management is of the opinion that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges. Details of impairment assessment are set out in Note 19.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.3 Impairment of loans and receivables

The policy for provision for impairment of receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each borrower. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in impairment of their ability to make repayments, additional allowance may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

4.4 Depreciation

The Group depreciates its property, plant and equipment using straight-line method over their estimated useful lives. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment.

4.5 Amortisation of mining rights

Mining rights are amortised over the estimated proven and probable reserves of the coal mines using units of production method. The Group assesses on an annual basis the estimated reserve of the coal mine. However, the license periods of the mining rights held by the Group range from 2 to 30 years which are shorter than the estimated useful lives of the coal mine estimated by the Group. Management is of the opinion that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges. If the expectation differs from the original estimate, such differences will impact the amortisation charged in the period in which such estimate is changed.

Engineering estimates of the Group's coal reserves involved subjective judgments by engineers in developing such information and reserves are estimated in accordance with national standard set by the PRC Government. Estimates of proven and probable coal reserves are involved in subjective judgments, because the estimating technology is inaccurate, so the proven and probable coal reserves are only approximate value. The recent production and technology documents shall be considered for the estimates of proven and probable coal reserves which will be updated regularly, the inherent inaccuracy of technical estimating exists. If the past estimates change significantly, the amortisation shall be adjusted during future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.6 Net realisable value of inventories

Net realisable value of inventories (including low cost consumables) is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses the estimations at the reporting date.

4.7 Valuation of share options granted

The fair value of share options granted is estimated using the Black-Scholes Option Pricing Model at the date of grant by an independent valuer. The Black-Scholes Option Pricing Model requires input of subjective assumptions such as expected stock price volatility and dividend yield. Changes in the subjective input may materially affect the fair value estimates.

5. REVENUE

The Group's principal activities are disclosed in Note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2013 **HK$'000**	2012 HK$'000
Sales of raw coking coal	**1,332,487**	2,050,244
Sales of clean coking coal	**2,935,745**	3,600,346
	4,268,232	5,650,590

6. SEGMENT INFORMATION

The executive directors consider the Group has one reporting segment, i.e. coking coal mining, which is further described in Note 2.23.

The operating segment is monitored and strategic decisions are made on the basis of adjusted segment operating result. The Group's segment operating profit reconciles to the Group's profit before income tax as follows:

	Coking coal mining		Consolidated	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment revenue:				
Revenue from external parties	**4,268,232**	5,650,590	**4,268,232**	5,650,590
Segment operating profit	**1,645,103**	2,843,045	**1,645,103**	2,843,045
Interest income			**129,623**	122,731
Other operating income not allocated			**143,161**	103,066
General and administrative expenses not allocated			**(87,992)**	(93,269)
Operating profit			**1,829,895**	2,975,573
Finance costs			**(24,458)**	(26,891)
Change in fair value of derivative financial instruments			**25,430**	24,097
Share of loss of an associate			**(943)**	(730)
Profit before income tax			**1,829,924**	2,972,049

6. SEGMENT INFORMATION (continued)

	Coking coal mining		Corporate		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation	**282,468**	250,809	**690**	831	**283,158**	251,640
Amortisation of mining rights	**281,051**	275,690	**–**	–	**281,051**	275,690
Amortisation of prepaid lease payments	**1,563**	1,536	**–**	–	**1,563**	1,536
Provision for impairment of trade receivables	**3,407**	18,426	**–**	–	**3,407**	18,426

	Coking coal mining		Corporate		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**20,093,380**	20,895,453	**5,426,510**	4,549,346	**25,519,890**	25,444,799
Interest in an associate	**–**	–	**18,894**	19,376	**18,894**	19,376
Deferred tax assets	**–**	–	**27,586**	31,592	**27,586**	31,592
Financial assets measured at fair value through other comprehensive income	**–**	–	**1,290,877**	1,300,109	**1,290,877**	1,300,109
Derivative financial instruments	**–**	–	**13,661**	24,645	**13,661**	24,645
Group assets					**26,870,908**	26,820,521
Segment liabilities	**2,138,427**	2,338,365	**72,378**	76,321	**2,210,805**	2,414,686
Deferred tax liabilities	**–**	–	**2,151,302**	2,142,911	**2,151,302**	2,142,911
Tax payables	**–**	–	**269,627**	325,252	**269,627**	325,252
Borrowings	**580,009**	878,288	**–**	197,160	**580,009**	1,075,448
Derivative financial instruments	**–**	–	**–**	241	**–**	241
Group liabilities					**5,211,743**	5,958,538

6. SEGMENT INFORMATION (continued)

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal markets				
PRC	**4,268,232**	5,650,590	**16,730,479**	16,730,393
Hong Kong	**–**	–	**610**	1,283
	4,268,232	5,650,590	**16,731,089**	16,731,676

Geographical location of customers is based on the location at which the goods were delivered whilst geographical location of non-current assets is based on the physical location of the assets.

The Group has three customers with transactions exceeded 10% of the Group's revenues. During the year, HK$841,478,000 or 20% (2012: HK$1,223,631,000 or 22%), HK$680,904,000 or 16% (2012: HK$1,150,455,000 or 20%) and HK$527,229,000 or 12%, (2012: HK$837,584,000 or 15%) of the Group's revenue is generated from these three customers under coking coal mining segment.

7. OTHER OPERATING INCOME

	2013	2012
	HK$'000	HK$'000
Bank interest income	**129,623**	119,879
Other interest income	**–**	2,852
Dividend income on financial assets measured at fair value through other comprehensive income	**50,496**	53,986
Income from sales of scrapped products	**78,214**	84,799
Net foreign exchange gain	**121,852**	59,323
Others	**4,816**	2,731
	385,001	323,570

8. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest charged on:		
– borrowings repayable within five years	**2,540**	15,893
– discounted bill receivables	**21,918**	24,664
Finance charges on finance leases	**–**	737
	24,458	41,294
Less: interest capitalised in CIP * (Note 16)	**–**	(14,403)
Total finance costs	**24,458**	26,891

* No borrowing costs were capitalised for the year ended 31 December 2013 (2012: Borrowing costs were capitalised at the rates ranging from 2% to 7% per annum).

9. PROFIT BEFORE INCOME TAX

	2013 HK$'000	2012 HK$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration		
– audit services	**1,530**	1,530
– other services	**496**	429
Cost of inventories recognised as expenses	**2,095,216**	2,064,788
Amortisation of:		
– prepaid lease payments	**1,563**	1,536
– mining rights	**281,051**	275,690
Depreciation of property, plant and equipment		
– owned assets	**283,158**	249,863
– leased assets	**–**	1,777
Employee benefit expenses (including directors' remuneration and retirement benefits scheme contributions) (Note 14)	**774,631**	665,798
Operating lease charges in respect of land and buildings	**6,929**	6,376
Provision for impairment on trade receivables (Note 26)	**3,407**	18,426
Loss on disposals of property, plant and equipment	**941**	15,042

10. INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current tax – PRC income tax		
– Current year	558,879	838,513
– Under provision in respect of prior years	10,185	2,621
Deferred tax (Note 34)		
– Current year	(38,379)	(19,325)
	530,685	821,809

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit arising in Hong Kong in 2013 and 2012.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, enterprise income tax rate for the Group's certain major subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), all established in the PRC, is subject to 25% enterprise income tax in the PRC.

The Group is also subject to withholding tax at the rate of 5% (2012: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2013 HK$'000	2012 HK$'000
Profit before income tax	1,829,924	2,972,049
Tax calculated at the rates applicable to the tax jurisdiction concerned	427,999	717,822
Tax effect of non-deductible expenses	32,156	35,096
Tax effect of non-taxable income	(21,679)	(21,661)
Tax effect of unused tax losses not recognised	2,416	11,820
Utilisation of tax loss not recognised	(2,305)	–
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	81,913	76,111
Under provision in respect of prior years	10,185	2,621
Income tax expense	530,685	821,809

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK$1,115,066,000 (2012: HK$1,800,367,000), a profit of HK$506,071,000 (2012: HK$1,369,752,000) (Note 36) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2013	2012
	HK$'000	HK$'000
Dividends recognised as distributions during the year:		
2012 final dividend of HK10 cents		
(2011: HK13 cents) per ordinary share	**530,184**	689,239
2013 interim dividend of HK2.7 cents		
(2012: HK5 cents) per ordinary share	**143,150**	265,092
	673,334	954,331

On 27 March 2013, the board of directors proposed a final dividend of HK10 cents per ordinary share to the owners of the Company in respect of the year ended 31 December 2012. This final dividend was approved by shareholders at the annual general meeting held on 18 June 2013 and total dividend of HK$530,184,000 was paid on 9 July 2013. This final dividend proposed after 31 December 2012 had not been recognised as a liability as at 31 December 2012.

On 27 March 2014, the board of directors proposed a final dividend of HK7.8 cents per ordinary share totalling HK$413,543,000 to the owners of the Company in respect of the year ended 31 December 2013. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2013 has not been recognised as a liability as at 31 December 2013.

13. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share to owners of the Company are based on the following data:

	2013	2012
	HK$'000	HK$'000
Profit used to determine basic and diluted earnings per share	**1,115,066**	1,800,367
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,301,837**	5,326,522
Effect of dilutive potential ordinary shares – share options	**1,030**	2,526
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,302,867**	5,329,048

Basic earnings and diluted earnings per share are HK21.03 cents (2012: HK33.80 cents) and HK21.03 cents (2012: HK33.78 cents) respectively, based on the profit for the year attributable to owners of the Company of HK$1,115,066,000 (2012: HK$1,800,367,000) and weighted average number of ordinary shares as set out above for both basic and diluted earnings per share.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013	2012
	HK$'000	HK$'000
Salaries, wages and allowances	**722,708**	612,748
Provision/(Reversal of provision) for unused annual leaves	**22**	(534)
Retirement benefits scheme contributions	**51,901**	53,584
	774,631	665,798

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

	2013					2012				
	Fees HK$'000	Salaries, allowances and benefits HK$'000	Bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000	Fees HK$'000	Salaries, allowances and benefits HK$'000	Bonuses HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors										
Mr. Li Shaofeng	–	4,200	4,500	435	9,135	–	4,200	5,000	460	9,660
Mr. Chen Zhouping	–	4,200	3,800	400	8,400	–	4,101	5,000	460	9,561
Mr. Wong Lik Ping	–	4,200	2,000	465	6,665	–	3,990	4,000	615	8,605
Mr. So Kwok Hoo	–	3,000	3,000	450	6,450	–	2,896	2,650	424	5,970
Mr. Chen Zhaoqiang	–	2,640	2,640	264	5,544	–	2,655	3,300	297	6,252
Mr. Liu Qingshan	–	2,400	2,400	240	5,040	–	2,307	3,000	270	5,577
Mr. Xue Kang##	–	–	–	–	–	–	2,229	2,000	216	4,445
Non-executive directors										
Mr. Leung Shun Sang, Tony	420	–	–	–	420	420	–	–	–	420
Mr. Zhang Yaoping	420	–	–	–	420	420	–	–	–	420
Mr. Xiang Xu Jia*	140	–	–	–	140	–	–	–	–	–
Mr. Zhang Wenhui##	–	–	–	–	–	406	–	–	–	406
Independent non-executive directors										
Mr. Kee Wah Sze	420	–	–	–	420	420	–	–	–	420
Mr. Choi Wai Yin	420	–	–	–	420	420	–	–	–	420
Mr. Chan Pat Lam	420	–	–	–	420	420	–	–	–	420
Mr. Chan Chung Chun#	420	–	–	–	420	210	–	–	–	210
Mr. Japhet Sebastian Law*	140	–	–	–	140	–	–	–	–	–
	2,800	20,640	18,340	2,254	44,034	2,716	22,378	24,950	2,742	52,786

* appointed on 1 September 2013

\# appointed on 1 July 2012

\#\# resigned on 20 December 2012

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group (2012: Nil). Details of these benefits in kind including the principal terms and number of options granted in previous years are disclosed under the heading "Share Option Scheme" in the Report of the Directors.

Five highest paid individuals

The five highest paid individuals in the Group in 2013 and 2012 were all directors of the Company and details of their emoluments are reflected in the analysis presented above.

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

The emoluments paid or payable to members of senior management are include in the analysis presented above.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and plants HK$'000	CIP HK$'000	Mining structures HK$'000	Mining machinery and equipment HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles and transportation equipment HK$'000	Total HK$'000
At 1 January 2012								
Cost	1,120,217	863,516	492,920	1,047,746	2,965	71,413	54,514	3,653,291
Accumulated depreciation	(130,736)	–	(94,030)	(267,228)	(1,312)	(29,738)	(26,904)	(549,948)
Net carrying amount	989,481	863,516	398,890	780,518	1,653	41,675	27,610	3,103,343
Year ended 31 December 2012								
Opening net carrying amount	989,481	863,516	398,890	780,518	1,653	41,675	27,610	3,103,343
Exchange retranslation	9,236	7,107	3,806	8,062	–	386	165	28,762
Additions	18,327	339,348	873	346,903	–	27,183	3,444	736,078
Transfers	226,886	(328,654)	94,702	6,900	–	166	–	–
Disposals	(4,747)	–	–	(12,575)	–	(12)	(25)	(17,359)
Depreciation	(62,503)	–	(26,387)	(130,005)	(609)	(21,309)	(10,827)	(251,640)
Closing net carrying amount	1,176,680	881,317	471,884	999,803	1,044	48,089	20,367	3,599,184
At 31 December 2012								
Cost	1,369,358	881,317	593,279	1,387,872	2,965	99,528	57,921	4,392,240
Accumulated depreciation	(192,678)	–	(121,395)	(388,069)	(1,921)	(51,439)	(37,554)	(793,056)
Net carrying amount	1,176,680	881,317	471,884	999,803	1,044	48,089	20,367	3,599,184
Year ended 31 December 2013								
Opening net carrying amount	**1,176,680**	**881,317**	**471,884**	**999,803**	**1,044**	**48,089**	**20,367**	**3,599,184**
Exchange retranslation	**27,623**	**19,700**	**13,038**	**23,845**	**–**	**1,060**	**453**	**85,719**
Additions	**6,464**	**88,850**	**5,072**	**97,233**	**–**	**8,886**	**2,994**	**209,499**
Transfers	**54,155**	**(293,243)**	**230,779**	**8,274**	**–**	**35**	**–**	**–**
Disposals	**(132)**	**–**	**–**	**(1,437)**	**–**	**–**	**–**	**(1,569)**
Depreciation	**(74,408)**	**–**	**(31,498)**	**(147,362)**	**(515)**	**(21,604)**	**(7,771)**	**(283,158)**
Closing net carrying amount	**1,190,382**	**696,624**	**689,275**	**980,356**	**529**	**36,466**	**16,043**	**3,609,675**
At 31 December 2013								
Cost	**1,462,460**	**696,624**	**845,356**	**1,519,047**	**2,965**	**110,919**	**61,666**	**4,699,037**
Accumulated depreciation	**(272,078)**	**–**	**(156,081)**	**(538,691)**	**(2,436)**	**(74,453)**	**(45,623)**	**(1,089,362)**
Net carrying amount	**1,190,382**	**696,624**	**689,275**	**980,356**	**529**	**36,466**	**16,043**	**3,609,675**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year, no interest expense was capitalised (2012: approximately HK$14,403,000 was capitalised) (Note 8) in property, plant and equipment.

The Group has no property, plant and equipment held under finance leases as at 31 December 2013. As at 31 December 2012, net carrying amount held under finance leases included in office equipment was amounted to approximately HK$6,507,000. The Group's buildings are situated in the PRC and are held on leases of between 10 to 50 years.

As at 31 December 2013, the Group is still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately HK$175,209,000 (RMB137,960,000 equivalent) (2012: HK$146,550,000 (RMB118,185,000 equivalent)). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

Company

	Leasehold improvements HK$'000	**Office equipment, furniture and fixtures** HK$'000	**Total** HK$'000
At 1 January 2012			
Cost	2,704	320	3,024
Accumulated depreciation	(1,158)	(146)	(1,304)
Net carrying amount	1,546	174	1,720
Year ended 31 December 2012			
Opening net carrying amount	1,546	174	1,720
Additions	–	19	19
Depreciation	(516)	(62)	(578)
Closing net carrying amount	1,030	131	1,161
At 31 December 2012			
Cost	2,704	339	3,043
Accumulated depreciation	(1,674)	(208)	(1,882)
Net carrying amount	1,030	131	1,161
Year ended 31 December 2013			
Opening net carrying amount	**1,030**	**131**	**1,161**
Additions	**–**	**17**	**17**
Depreciation	**(515)**	**(63)**	**(578)**
Closing net carrying amount	**515**	**85**	**600**
At 31 December 2013			
Cost	**2,704**	**356**	**3,060**
Accumulated depreciation	**(2,189)**	**(271)**	**(2,460)**
Net carrying amount	**515**	**85**	**600**

17. PREPAID LEASE PAYMENTS – GROUP

The Group's interests in leasehold land and land use rights represent the prepaid lease payments under operating leases. Their net carrying amounts are analysed as follows:

	2013 HK$'000	2012 HK$'000
Opening net carrying amount	**60,785**	48,068
Exchange retranslation	**1,459**	490
Additions	**–**	13,763
Amortisation	**(1,563)**	(1,536)
Closing net carrying amount	**60,681**	60,785
In the PRC held on:		
– Lease of between 10 to 50 years	**60,681**	60,785

18. MINING RIGHTS – GROUP

	2013 HK$'000	2012 HK$'000
Opening net carrying amount	**10,440,937**	10,563,452
Exchange retranslation	**250,373**	84,202
Additions	**–**	68,973
Amortisation	**(281,051)**	(275,690)
Closing net carrying amount	**10,410,259**	10,440,937
Gross carrying amount	**11,975,782**	11,692,890
Accumulated amortisation	**(1,565,523)**	(1,251,953)
Net carrying amount	**10,410,259**	10,440,937

The estimated remaining useful lives of the mining rights range between 30 years and 48 years based on exploration reports prepared in accordance with the relevant PRC standards.

19. GOODWILL – GROUP

	2013 HK$'000	2012 HK$'000
Gross carrying amount at 1 January	**2,266,920**	2,248,822
Exchange retranslation	**54,295**	18,098
Gross carrying amount at 31 December	**2,321,215**	2,266,920
Less: Accumulated impairment loss	**(2,010)**	(2,010)
Net carrying amount at 31 December	**2,319,205**	2,264,910

The carrying amount of goodwill was allocated as follows:

	2013 HK$'000	2012 HK$'000
Xingwu	**887,826**	866,842
Jinjiazhuang	**826,627**	807,090
Zhaiyadi	**582,825**	569,051
Jinshan Energy Group Limited ("Jinshan")	**21,927**	21,927
Net carrying amount at 31 December	**2,319,205**	2,264,910

As described in Note 4.2, the recoverable amounts of goodwill totalling HK$2,319,205,000 (2012: HK$2,264,910,000) from each of the above CGUs were determined on the basis of value-in-use calculations, which are based on certain key assumptions on discount rates, growth rates, expected changes in selling prices and direct costs. All value-in-use calculations use cash flow projections based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately 0% to 17% (2012: 2% to 6%) and with a discount rate of 15.24% (2012: 14.55%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 2% (2012: 2%). Cash flow projections during the budget period for each of the above CGU are based on the budgeted revenue and expected gross margins during the budget period and the same raw materials price inflation during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and raw material price inflation, have been determined based on past performance and management's expectations for the market development.

19. GOODWILL – GROUP (continued)

Apart from the considerations described in determining the value-in-use of the CGUs above, the directors of the Company are not aware of any other probable changes that would necessitate changes in its key estimates. However, the estimated recoverable amount of the Group's CGUs is particularly sensitive to the growth rate applied.

The recoverable amount of JinJiazhuang's CGU exceeds its carrying amount by HK$103,262,000. The key assumptions are the discount rate of 14.99% and the growth rate of approximately 0% to 17%. If the discount rate increased by 0.29% or the growth rate reduced by 0.31% the carrying amount of JinJiazhuang's CGU would equal its recoverable amount.

The recoverable amount of Xingwu's CGU exceeds its carrying amount by HK$591,073,000. The key assumptions are the discount rate of 15.00% and the growth rate of approximately 0% to 17%. If the discount rate increased by 1.96% or the growth rate reduced by 1.92% the carrying amount of Xingwu's CGU would equal its recoverable amount.

20. INTERESTS IN SUBSIDIARIES – COMPANY

	2013 **HK$'000**	2012 HK$'000
Unlisted equity interest, at cost	**837,836**	837,836
Less: Provision for impairment	**(717,380)**	(647,592)
	120,456	190,244

20. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Particulars of the principal subsidiaries at 31 December 2013 are as follows:

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Effective interest held by the Group 2013	2012
Xingwu *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB250,000,000	**88%**	88%
Jinjiazhuang *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB374,000,000	**65%**	65%
Zhaiyadi *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB800,000,000	**95%**	95%
Jinshan *	PRC, limited liability company	Investment holding, production and sales of coal products in the PRC	Registered capital of RMB600,000,000	**94%**	94%
Liulin Luenshan Coking Company Limited ("Luenshan") *^	PRC, limited liability company	Production and sales of coal products in the PRC	Registered capital of RMB330,000,000	**61%**	61%
Fu Hui Investments Limited	Hong Kong, limited liability company	Administration and investment vehicle of the Group (Hong Kong)	100 ordinary shares of HK$1 each	**100%**	100%
Fu Hui Jewellery & Goldsmith Company Limited	Hong Kong, limited liability company	Investment vehicle of the Group (Hong Kong)	2,000,000 ordinary shares of HK$1 each	**100%**	100%
Thechoice Finance (HK) Limited ("ThechoiceHK") *	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares of HK$1	**100%**	100%
Worldman Industrial (HK) Limited ("WorldmanHK") *	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary shares of HK$1	**100%**	100%
Gumpert Industries (HK) Limited ("GumpertHK") *	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	**100%**	100%
Shougang Resources (Hong Kong) Limited *	Hong Kong, limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1	**100%**	100%

20. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Effective interest held by the Group 2013	2012
Jade Green Investments Holding Limited ("Jade Green")	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Thechoice Finance Limited ("Thechoice") *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Worldman Industrial Limited ("Worldman") *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Gumpert Industries Limited ("Gumpert") *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Fushan Energy Group Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Maxease Limited	BVI, limited liability company	Investment vehicle in Hong Kong	1 ordinary share of US$1	**100%**	100%
True Plus Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Benefit Rich Limited	Samoa, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Shanxi Jinxinglong Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**88%**	88%
Shanxi Jinsheng Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**65%**	65%
Shanxi Jinfulong Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**95%**	95%

* These companies are indirectly held by the Company.

^ The English translation is unofficial and for identification purpose only.

20. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

The financial statements of the principal subsidiaries have been examined by BDO Limited for purpose of the consolidation of the Company.

The entire equity interests in Jade Green, Thechoice, Worldman, Gumpert, ThechoiceHK, WorldmanHK, GumpertHK were pledged for the banking facilities of United States Dollars ("US$") US$25,000,000 granted to the Group as at 31 December 2012 (Note 31). The pledge had been released upon the full repayment of the loan of US$25,000,000 during 2013.

None of the subsidiaries had issued any debt securities at the end of the year.

The following table lists out the information relating to one subsidiary of the Group which have material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013	2012
	HK$'000	HK$'000
Jinjiazhuang		
NCI percentage	**35%**	35%
As at 31 December		
Current assets	**1,107,465**	1,321,634
Non-current assets	**6,933,440**	6,918,163
Current liabilities	**2,116,720**	2,370,014
Non-current liabilities	**741,915**	742,754
Net assets	**5,182,270**	5,127,029
Carrying amount of NCI	**1,555,938**	1,546,170
For the year ended 31 December		
Revenue	**1,647,740**	1,933,127
Profit for the year	**502,665**	926,263
Total comprehensive income	**626,164**	967,610
Profit allocated to NCI	**172,402**	317,440
Dividend paid to NCI	**198,237**	290,970
Cash flows from operating activities	**996,864**	1,368,953
Cash flows from investing activities	**(192,175)**	(441,484)
Cash flows from financing activities	**(771,300)**	(1,203,921)

21. AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2013	2012
	HK$'000	HK$'000
Amounts due from subsidiaries	**20,305,505**	19,581,204
Loan to a subsidiary	**39,906**	37,432
Less: Provision for impairment	**(117,243)**	(117,243)
	20,228,168	19,501,393

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Loan to a subsidiary as at 31 December 2013 is unsecured, interest bearing at 7.5% per annum (2012: 7.5% per annum) and are repayable on demand. Included in the balance is interest receivable of HK$6,926,000 (2012: HK$4,452,000) which is repayable together with the principal debt.

The directors of the Company consider that the carrying amounts of the balances approximate to their fair values.

22. INTEREST IN AN ASSOCIATE – GROUP

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**19,884**	19,884
Exchange retranslation	**1,365**	904
Share of net assets	**(2,355)**	(1,412)
	18,894	19,376

Particulars of the associate at 31 December 2013 are as follows:

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of registered capital	Effective interest held by the Group 2013	2012
Luliang Jin Yu Cangchu Company Limited # 呂梁晋煜倉儲有限公司	PRC, limited liability company	Provision of coal storage services in PRC	RMB42,000,000	**35%**	35%

\# The English translation is unofficial and for identification purpose only.

Summary of financial information of the Group's associate as extracted from its unaudited management accounts is as follows:

	2013 HK$'000	2012 HK$'000
Assets	**49,986**	51,323
Liabilities	**3,796**	3,580
Revenue	**1,195**	1,635
Operating loss	**(2,686)**	(2,081)
Other comprehensive income	**1,134**	385
Total comprehensive income	**(1,552)**	(1,696)

23. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – GROUP

	2013 HK$'000	2012 HK$'000
Equity securities, at fair value		
– listed in Australia (Note (a))	**1,150,345**	1,101,185
– listed in Hong Kong (Note (b))	**140,532**	190,244
	1,290,877	1,291,429
Unlisted equity interest (Note (c))	**–**	8,680
	1,290,877	1,300,109

Notes:

(a) This represents an investment in a company listed on the Australian Securities Exchange Limited (the "Australian Securities Exchange"), Mount Gibson Iron Limited ("Mount Gibson").

As at 31 December 2013, the Group directly held 15.03% (2012: 15.03%) interest in Mount Gibson and the fair value of the investment in Mount Gibson was HK$1,150,345,000 (2012: HK$1,101,185,000) which represented the market value with reference to its closing price as at that day on the Australian Securities Exchange. A fair value gain of HK$49,160,000 (2012: loss of HK$345,759,000) was recognised in the security investment reserve during the year ended 31 December 2013.

(b) This represents an investment in a company listed on The Stock Exchange, APAC Resources Limited ("APAC").

As at 31 December 2013, the Group directly held 14.03% (2012: 14.03%) interest in APAC and the fair value of the investment in APAC was HK$140,532,000 (2012: HK$190,244,000) which represented the market value with reference to its closing price as at that day on The Stock Exchange. A fair value loss of HK$49,712,000 (2012: HK$125,236,000) was recognised in the security investment reserve during the year ended 31 December 2013.

(c) This represents the cost of 7% (2012: 7%) equity investment in an unlisted company incorporated in the PRC.

As the company ceased operation during the year ended 31 December 2013, fair value loss of approximately HK$8,890,000 was made.

The fair value of the Group's investments in listed and unlisted equity securities has been measured as described in Note 42.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – NON-CURRENT ASSETS – GROUP

	2013 HK$'000	2012 HK$'000
Deposits for a potential mining project	**178,916**	174,690
Housing loans to PRC employees	**24,287**	40,688
Prepayments for CIP and property, plant and equipment	**46,291**	69,711
Prepayments for land-use rights	**62,881**	61,395
	312,375	346,484

25. INVENTORIES – GROUP

	2013 HK$'000	2012 HK$'000
Spare parts and consumables	**124,688**	130,667
Coking coal	**96,331**	32,615
	221,019	163,282

As at 31 December 2013 and 2012, no inventories were stated at net realisable value.

26. TRADE AND BILL RECEIVABLES – GROUP

	2013 HK$'000	2012 HK$'000
Trade receivables	**990,454**	1,094,307
Less: Provision for impairment losses	**(193,917)**	(185,983)
	796,537	908,324
Bill receivables	**1,793,647**	2,632,167
	2,590,184	3,540,491

26. TRADE AND BILL RECEIVABLES – GROUP (continued)

Trade receivables generally have credit terms ranging from 60 to 90 days (2012: 60 to 90 days) and no interest is charged.

The carrying amount of trade and bill receivables is considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, are expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2013, bill receivables included an amount of RMB150,289,000 (HK$190,867,000 equivalent) (2012: RMB333,955,000 (HK$414,104,000 equivalent)) which was pledged for bill payables of RMB150,262,000 (HK$190,833,000 equivalent) (2012: RMB292,417,000 (HK$362,598,000 equivalent)) (Note 29).

As at 31 December 2013, the Group discounted and endorsed certain of its bill receivables with full recourse to financial institutions and creditors. In the event of default by the debtors, the Group is obliged to pay the financial institutions and creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its discounted and endorsed bill receivables.

The discounting and endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted and endorsed bill receivables. As at 31 December 2013, bill receivables of RMB588,960,000 (HK$747,979,000 equivalent) (2012: RMB848,744,000 (HK$1,052,443,000 equivalent)) continue to be recognised in the Group's financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing (Note 31), trade payables (Note 29) and other payables (Note 30) until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. As at 31 December 2013, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB454,900,000 (HK$577,723,000 equivalent) (2012: RMB708,296,000 (HK$878,288,000 equivalent)), RMB90,060,000 (HK$114,376,000 equivalent) (2012: RMB18,509,000 (HK$22,950,000 equivalent)) and RMB44,000,000 (HK$55,880,000 equivalents) (2012: RMB121,939,000 (HK$151,205,000 equivalents)) respectively.

As the bill receivables have been legally transferred to the financial institutions and creditors, the Group does not have the authority to determine the disposition of the bill receivables.

26. TRADE AND BILL RECEIVABLES – GROUP (continued)

At each reporting date, trade and bill receivables are individually assessed for impairment review purpose. The individually impaired receivables, if any, are recognised, based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case impairment loss is written off against trade and bill receivables directly. As at 31 December 2013, ageing analysis of net trade and bill receivables, based on the invoice dates, is as follows:

	2013	2012
	HK$'000	HK$'000
1 to 3 months	**1,333,259**	2,591,068
4 to 6 months	**1,235,654**	944,869
7 to 12 months	**21,271**	4,554
	2,590,184	3,540,491

Movement in the provision for impairment of trade receivables is as follows:

	2013	2012
	HK$'000	HK$'000
At 1 January	**185,983**	166,058
Exchange retranslation	**4,527**	1,499
Impairment loss recognised (Note 9)	**3,407**	18,426
At 31 December	**193,917**	185,983

26. TRADE AND BILL RECEIVABLES – GROUP (continued)

As at 31 December 2013, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2013	2012
	HK$'000	HK$'000
Current	**2,461,165**	3,532,605
Less than 3 months past due	**120,132**	5,820
4 to 6 months past due	**8,887**	2,066
	129,019	7,886
	2,590,184	3,540,491

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the balances are considered fully recoverable.

27. PLEDGED BANK DEPOSITS – GROUP

As at 31 December 2013, all pledged bank deposits of RMB161,252,000 (HK$204,790,000 equivalent) (2012: RMB138,593,000 (HK$171,855,000 equivalent)) were denominated in RMB and were pledged for bill payables of RMB152,222,000 (HK$193,322,000 equivalent) (2012: RMB138,593,000 (HK$171,855,000 equivalent)) (Note 29).

The directors of the Company consider that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period.

28. BANK BALANCES AND CASH

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and on hand	**137,216**	55,788	**4,122**	35,756
Time deposits at banks	**5,451,001**	4,618,226	**4,190,258**	3,729,227
Bank balances and cash	**5,588,217**	4,674,014	**4,194,380**	3,764,983
Less: Time deposits with original maturity over three months	**(3,450,606)**	(1,692,681)	**(2,702,211)**	(1,444,205)
Cash and cash equivalents	**2,137,611**	2,981,333	**1,492,169**	2,320,778

Cash at banks generates interest at the floating rates based on the daily bank deposit rates. During the year, time deposits with original maturity within three months were made for varying periods of one day to three months depending on the immediate cash requirements of the Group and earned interest at the respective these time deposit rates ranging from 0.13% to 5% (2012: 0.08% to 5.14%) per annum.

Included in cash and cash equivalents are the following amounts denominated in a currency other than HK$:

	Group		Company	
'000	**2013**	2012	**2013**	2012
AUD	**5**	10,556	**3**	10,555
RMB	**1,609,295**	1,190,552	**1,138,037**	760,974
US$	**11,652**	170,400	**5,681**	154,022

29. TRADE AND BILL PAYABLES – GROUP

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2012: 30 to 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2013 is as follows:

	2013	2012
	HK$'000	HK$'000
1 to 3 months	**391,918**	396,084
4 to 6 months	**238,219**	282,908
7 to 12 months	**12,599**	13,387
Over 1 year	**20,588**	25,529
	663,324	717,908

As at 31 December 2013, bill payables of RMB302,484,000 (HK$384,155,000 equivalent) (2012: RMB431,010,000 (HK$534,453,000 equivalent)) were secured by the pledged bank deposits of RMB161,252,000 (HK$204,790,000 equivalent) (2012: RMB138,593,000 (HK$171,855,000 equivalent)) (Note 27) and bill receivables of RMB150,289,000 (HK$190,867,000 equivalent) (2012: RMB333,955,000 (HK$414,104,000 equivalent)) (Note 26).

As at 31 December 2013, included in trade payables of RMB90,060,000 (HK$114,376,000 equivalent) (2012: RMB18,509,000 (HK$22,950,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 26).

30. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Advances from customers	**335,188**	364,283	**–**	–
Accruals	**405,855**	372,420	**16,001**	16,207
Other payables	**762,395**	919,910	**–**	–
Amounts due to other parties	**23,408**	18,690	**–**	–
	1,526,846	1,675,303	**16,001**	16,207

30. OTHER PAYABLES AND ACCRUALS (continued)

As at 31 December 2013, included in other payables of RMB44,000,000 (HK$55,880,000 equivalent) (2012: RMB121,939,000 (HK$151,205,000 equivalent)) represents the amount of bill receivables endorsed to other creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 26).

31. BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings – secured (Note (a))	**–**	193,100	**–**	193,100
Other borrowings (Note (b))	**2,286**	2,232	**–**	–
Finance lease payables (Note (c))	**–**	1,828	**–**	–
Asset-backed financing (Note (d))	**577,723**	878,288	**–**	–
Total borrowings	**580,009**	1,075,448	**–**	193,100

The carrying amounts of bank borrowings, other borrowings and asset-backed financing approximate to their fair value.

Notes:

(a) Bank borrowings – secured

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	193,100	**–**	193,100

The Group's and the Company's interest-bearing bank borrowings were denominated in the following foreign currencies other than HK$:

	Group		Company	
'000	**2013**	2012	**2013**	2012
US$ (i)	**–**	25,000	**–**	25,000

(i) Interest was charged at LIBOR plus 1.85% per annum and secured by the undertaking by Shougang Holding (Hong Kong) Limited ("Shougang Holding"), guarantees, shares pledged (Note 20) and undertaking provided by Jade Green, Thechoice, Worldman, Gumpert, ThechoiceHK, WorldmanHK and GumpertHK, the negative share pledge of Xingwu, Jinjiazhuang and Zhaiyadi directly or indirectly owned by Thechoice, Worldman and Gumpert respectively. During the year, US$25,000,000 (2012: US$30,000,000) have been repaid and the respective securities, guarantees, pledged, etc, were released accordingly.

31. BORROWINGS (continued)

Notes: (continued)

(b) Other borrowings

	2013	2012
	HK$'000	HK$'000
Within one year	**2,286**	2,232

Other borrowings as at 31 December 2013 and 2012 are obtained from third parties, unsecured, interest-free and repayable on demand. Other borrowings are denominated in RMB.

(c) Finance lease payables

Analysis of the obligations under finance leases is as follows:

	2013	2012
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	–	1,828
Presents value of finance lease liabilities	–	1,828

(d) Asset-backed financing

This represents the financing obtained in invoice discounting transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 26).

32. AMOUNTS DUE TO SUBSIDIARIES – COMPANY

The amounts are unsecured, interest-free and repayable on demand.

33. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES – GROUP

The balance as at 31 December 2013 and 2012 is denominated in RMB and is unsecured, interest-free and repayable on demand.

34. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Deferred tax assets recognised in the consolidated statement of financial position and their movements during the year are as follows:

	Tax deductible expense	
	2013	2012
	HK$'000	HK$'000
At 1 January	**31,592**	17,806
Exchange retranslation	**727**	255
(Charged)/Credited to profit or loss (Note 10)	**(4,733)**	13,531
At 31 December	**27,586**	31,592

Deferred tax liabilities recognised in the consolidated statement of financial position and their movements during the year are as follows:

	Withholding tax	Fair value adjustments of property, plant and equipment and mining rights	Mining Funds	Total
	HK$'000	HK$'000	HK$'000 (Note a)	HK$'000
At 1 January 2012	–	2,059,394	72,030	2,131,424
Exchange retranslation	–	16,359	922	17,281
(Credited)/Charged to profit or loss (Note 10)	–	(47,286)	41,492	(5,794)
At 31 December 2012 and 1 January 2013	**–**	**2,028,467**	**114,444**	**2,142,911**
Exchange retranslation	**257**	**48,704**	**2,542**	**51,503**
Charged/(Credited) to profit or loss (Note 10)	**32,330**	**(46,802)**	**(28,640)**	**(43,112)**
At 31 December 2013	**32,587**	**2,030,369**	**88,346**	**2,151,302**

34. DEFERRED TAX ASSETS AND LIABILITIES – GROUP (continued)

Notes:

(a) Pursuant to changes in certain regulations of the PRC government, the Group is required to set aside the production maintenance fee, safety fund, and other expense of similar nature (collectively the "Mining Funds"). As such amendments are deductible for the purpose when they are set aside but are expensed for accounting purpose only when they are utilised, a deferred tax liability is recorded for the temporary difference in respect of excess fund set aside for tax purposes.

As at 31 December 2013 and 2012, no deferred tax assets has been recognised in respect of the deductible temporary differences and unused tax losses arising from certain subsidiaries incorporated in Hong Kong and PRC as it is uncertain whether future taxable profit is available against which the deductible temporary differences and tax losses can be utilised. Deferred tax assets have not been recognised in respect of the following items:

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deductible temporary differences	**2,615**	2,503	**–**	–
Tax losses	**190,229**	277,755	**158,474**	231,219
	192,844	280,258	**158,474**	231,219

The Group has tax losses of approximately HK$4,966,000 (2012: HK$4,849,000) which shall expire in one year (2012: one to two years) and tax losses of approximately HK$185,263,000 (2012: HK$272,906,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

35. SHARE CAPITAL

	Number of shares		Company	
	2013	2012	**2013**	2012
	'000 shares	'000 shares	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**5,301,837**	5,377,507	**530,184**	537,751
Share repurchased	**–**	(75,670)	**–**	(7,567)
At 31 December	**5,301,837**	5,301,837	**530,184**	530,184

During the year ended 31 December 2012, the Company repurchased 75,670,000 ordinary shares of the Company on The Stock Exchange for a consideration of HK$197,535,000. These 75,670,000 repurchased ordinary shares were cancelled in that year. The issued share capital of the Company was reduced by the par value of the total repurchased ordinary shares.

36. RESERVES

Group

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

This includes the premium arising from issue of shares of the Company at a premium.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

36. RESERVES (continued)

Group (continued)

Other reserves

In accordance with the Notice of the Ministry of Finance and the State Administration of Safety Coal Mine in Liulin Province in May 2005 (Liucaizi [2005] No. 35) and the No. 3 document of the Ministry of Finance in 23 June 2009 (Caikuai [2009] No.8), entities engaged in coal mining are required to provide for production maintenance fee, safety fund and other expense of similar nature at fixed rates on coal production volume. These funds were charged as expenses to cost of production and credited to specific reserves accordingly. At the end of the financial year, the unused funds were reversed against the cost of related production when the Group prepared its financial statements in accordance with HKFRSs.

Company

	Share premium	Capital redemption reserve	Retained profits	Share-based compensation reserve	Total
	HK$'000	HK'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	14,618,903	305	992,278	564,179	16,175,665
Share repurchased	–	7,567	(197,535)	–	(189,968)
Profit for the year (Note 11)	–	–	1,369,752	–	1,369,752
2011 final dividend approved	–	–	(689,239)	–	(689,239)
2012 interim dividend declared	–	–	(265,092)	–	(265,092)
At 31 December 2012 and 1 January 2013	**14,618,903**	**7,872**	**1,210,164**	**564,179**	**16,401,118**
Lapse of share options	**–**	**–**	**11,373**	**(11,373)**	**–**
Profit for the year (Note 11)	**–**	**–**	**506,071**	**–**	**506,071**
2012 final dividend approved	**–**	**–**	**(530,184)**	**–**	**(530,184)**
2013 interim dividend declared	**–**	**–**	**(143,150)**	**–**	**(143,150)**
At 31 December 2013	**14,618,903**	**7,872**	**1,054,274**	**552,806**	**16,233,855**

37. SHARE OPTION SCHEME

At the Company's annual general meeting held on 20 June 2003, an option scheme (the "2003 Scheme") was approved which empowered the directors to implement and administer the 2003 Scheme with effect from the date of the resolution. The 2003 Scheme is enforceable for a period of 10 years ending on 19 June 2013. On 25 May 2012, a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company and the 2012 Scheme became effective on 29 May 2012. The 2003 Scheme was terminated from the date on which the 2012 Scheme became effective on 29 May 2012. However, the share options granted under the 2003 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2003 Scheme. 261,000,000 share options have been outstanding under the 2003 Scheme as at 31 December 2013. No share options have been granted under the 2012 Scheme during the year.

2012 Scheme was designed to reward and provide incentives to, and strengthen the Group's business relationship with the prescribed classes of participants, including but not limited to eligible employees and directors of any member of the Group, who contributed to the development of the Group.

Under the 2012 Scheme, the exercise price of the options is to be determined by the directors and is at least the highest of (i) the closing price of the Company's shares (the "Shares") as stated in The Stock Exchange's daily quotations sheet on the date of grant; (ii) average closing price of the Shares as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant. Each of the grantees of the 2012 Scheme is required to pay HK$1 as consideration for the grant of share options. An option may generally be exercised during the period commencing on the date of grant and expiring on the date as determined by the directors, but in any event not more than 10 years from the date of grant.

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

Details of the principal terms of the 2003 Scheme and the 2012 Scheme are disclosed under the heading "Share Option Schemes" in the Report of the Directors.

By a resolution passed at the annual general meeting held on 2 June 2009 (the "2009 AGM"), 10% limit under the 2003 Scheme was refreshed by the shareholders of the Company such that the directors may grant share options to eligible participants to subscribe up to 457,475,535 shares, representing 10% of the shares in issue as at the date of the 2009 AGM.

37. SHARE OPTION SCHEME (continued)

On 19 August 2009, the Company granted 281,050,000 options to certain of its directors, employees and other eligible participants with exercise price of HK$6 per share under the 2003 Scheme. The closing share price at date of grant on 19 August 2009 was HK$5.22.

The fair value of options granted in 2009 was determined using the Black-Scholes Option Pricing Model. Significant inputs into the calculation included an expected volatility of 72.95% to 81.35%, estimated weighted average expected life of 3.53 years, risk-free interest rate of 1.07% to 1.824%, dividend yield of 3.83% and estimated employees' turnover rate of 15%. The expected volatility was determined with reference to the historical volatility based on 156-week weekly return on the Company's closing price. The expected volatility reflects the assumption that the historical volatility is indicative of future share market price trends, which may also not necessarily be the actual outcome. The risk-free interest rate was determined with reference to the corresponding period of Hong Kong Exchange Fund Notes interest rate at the date of options granted.

The fair value of the options granted in 2009, measured at the date of grant on 19 August 2009, is totaled approximately HK$596,460,000. As the options vest after two years from the date of grant on 19 August 2009, the amount was recognised as share-based compensation in profit or loss over 2 years from 19 August 2009 to 18 August 2011. The corresponding amount had been credited in share option reserve. No liabilities were recognised due to share-based payment transactions.

The total number of option exercisable under the 2003 Scheme as at 31 December 2013 was 261,000,000 (2012: 267,200,000) which represents approximately 4.92% (2012: 5.04%) of the Company's issued shares as at 31 December 2013. All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

All share options granted under the 2003 Scheme are accounted for under HKFRS 2. Share options and weighted average exercise price for the years ended 31 December 2013 and 2012 are as follows:

	2013		2012	
	'000 shares	**Weighted average exercise price HK$**	'000 shares	Weighted average exercise price HK$
Outstanding at 1 January	**267,200**	**5.90**	267,200	5.90
Lapsed	**(6,200)**	**1.65**	–	–
Outstanding at 31 December	**261,000**	**6.00**	267,200	5.90
Exercisable at 31 December	**261,000**	**6.00**	267,200	5.90

37. SHARE OPTION SCHEME (continued)

The exercise prices of the 261,000,000 options outstanding as at 31 December 2013 was HK$6 and a weighted average remaining contractual life of 2.6 years.

The exercise prices of the 6,000,000 options and 261,200,000 options outstanding as at 31 December 2012 were HK$1.5 and HK$6 respectively and a weighted average remaining contractual life of 3.6 years.

6,200,000 share options under the 2003 Scheme were lapsed during 2013. No options were exercised, granted or cancelled during 2012.

38. COMMITMENTS

(a) Operating lease commitments

Group

As at 31 December 2013, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	2013	2012
	HK$000	HK$000
Within one year	**5,268**	6,441
In the second to fifth years	**14,053**	16,117
After the fifth year	**42,053**	43,918
	61,374	66,476

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 3 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

Company

The Company did not have any significant operating lease commitments as at 31 December 2013 and 2012.

38. COMMITMENTS (continued)

(b) Capital commitments

Group

	2013	2012
	HK$'000	HK$'000
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**217,164**	194,803
– Exploration and design fees for a potential mining project	**9,500**	9,275
	226,664	204,078

Company

The Company did not have any capital commitments as at 31 December 2013 and 2012.

(c) Other commitments

Group

In accordance with notices issued by the Liulin County Government of Shanxi Province, certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the improvement of educational infrastructure and facilities in the Liulin County including construction of modern schools and provision of educational facilities from 2012 to 2014 (31 December 2012: 2012 to 2014). Such subsidies will be charged in the consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 31 December 2013, management expects that one (31 December 2012: two) further payment(s) of RMB198,000,000 (HK$251,460,000 equivalent) (31 December 2012: RMB198,000,000 (HK$245,520,000 equivalent) each) are payable in 2014 (31 December 2012: 2013 to 2014).

39. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013 and 2012, the Group has no outstanding financial guarantee contracts.

As at 31 December 2013 and 2012, the Company has given below financial guarantees to banks in respect of treasury facilities available to its wholly-owned subsidiaries:

(a) a guarantee with US$3,500,000 given to a bank in respect of a treasury facility; and

(b) two guarantees with unlimited amounts given to another two banks in respect of treasury facilities.

39. FINANCIAL GUARANTEE CONTRACTS (continued)

As at 31 December 2013, the wholly-owned subsidiaries have utilised the treasury facilities of US$212,406,000 (HK$1,646,147,000 equivalent) (2012: US$127,199,000 (HK$985,791,000 equivalent)). At 31 December 2013 and 2012, no provision for the Company's obligation under the guarantee contracts was required as the directors of the Company considered that it was not probable that the repayment of such treasury facilities would be in default.

40. RELATED PARTY TRANSACTIONS – GROUP

Except as disclosed elsewhere in the financial statements, the following transactions for the years ended 31 December 2013 and 2012 were carried out with related parties:

(i) During the year ended 31 December 2013, the Group paid management fees and company secretarial service fees of HK$1,560,000 (2012: HK$1,560,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is the largest shareholder of the Company. As at 31 December 2013, no amounts were outstanding (2012: nil).

(ii) During the year ended 31 December 2013, the Group paid rental expenses of HK$2,340,000 (2012: HK$1,892,000) to a wholly-owned subsidiary of Shougang Holding, which is the controlling shareholder of Shougang International. As at 31 December 2013, no amounts were outstanding (2012: nil).

(iii) During the year ended 31 December 2013, the Group sold clean coking coal amounted to HK$680,904,000 (2012: HK$1,150,454,000) to Shougang Corporation, being Shougang Holding's ultimate holding company, and its group companies of Shougang Corporation (collectively referred to as the "Shougang Group"). These sales were made at market prices with a maximum discount of 3%. As at 31 December 2013, amount due from the Shougang Group was HK$334,291,000 (2012: HK$372,660,000).

(iv) The compensation payable to key management personnel during the year has been disclosed in Note 15.

40. RELATED PARTY TRANSACTIONS – GROUP (continued)

The related party transactions in (i) above constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The related party transaction in (i) above was connected transaction which was exempt from any disclosure and shareholders'approval requirements under the Listing Rules. Except this, none of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group/Company is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group/Company does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Group's/Company's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group/Company employs a conservative strategy regarding its risk management. As the directors consider that the Group's/Company's exposure to market risk is kept at a minimum level, the Group/Company has not used any derivatives or other instruments for hedging purposes. The most significant financial risks to which the Group/Company is exposed are described below.

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate. The Group's/Company's exposure to foreign currency risk primarily arises from certain financial assets measured at fair value through other comprehensive income, derivative financial instruments, certain bank balances and bank borrowings which are denominated in US$ and Australian Dollars ("AUD").

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

To mitigate the Group's/Company's other exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group's/Company's risk management policies. The foreign-currency-denominated financial assets and liabilities, translated into HK$ at closing rates, are as follows:

	Group				Company			
	2013		2012		**2013**		2012	
	Expressed in HK$'000		Expressed in HK$'000		**Expressed in HK$'000**		Expressed in HK$'000	
	AUD	**US$**	AUD	US$	**AUD**	**US$**	AUD	US$
Financial assets measured at fair value through other comprehensive income	**1,150,345**	**–**	1,101,185	–	**–**	**–**	–	–
Derivative financial instruments – assets	**–**	**13,661**	–	24,645	**–**	**–**	–	–
Time deposit with original maturity over three months	**–**	**2,133,342**	–	760,077	**–**	**1,384,947**	–	511,601
Cash and bank balances	**32**	**90,291**	85,001	1,320,588	**22**	**44,029**	84,986	1,193,665
Derivative financial instruments – liabilities	**–**	**–**	–	(241)	**–**	**–**	–	–
Bank borrowings	**–**	**–**	–	(193,100)	**–**	**–**	–	(193,100)
Overall net exposure	**1,150,377**	**2,237,294**	1,186,186	1,911,969	**22**	**1,428,976**	84,986	1,512,166

As HK$ is pegged to US$, the Group/Company does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's/Company's financial assets denominated in US$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting date. The following table indicates the approximate change in the Group's/Company's profit for the year and equity in response to reasonably possible changes in the foreign exchange rates to which the Group/Company has significant exposure at the reporting date.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

	Group						Company					
	2013			2012			2013			2012		
	Increase/ (Decrease) in foreign exchange rates	Effect on profit for the year HK$'000	Effect on equity HK$'000	Increase/ (Decrease) in foreign exchange rates	Effect on profit for the year HK$'000	Effect on equity HK$'000	Increase/ (Decrease) in foreign exchange rates	Effect on profit for the year HK$'000	Effect on equity HK$'000	Increase/ (Decrease) in foreign exchange rates	Effect on profit for the year HK$'000	Effect on equity HK$'000
AUD	+5%	2	57,339	+5%	4,250	55,018	+5%	1	–	+5%	4,249	–
AUD	-5%	(2)	(57,339)	-5%	(4,250)	(55,018)	-5%	(1)	–	-5%	(4,249)	–

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bill receivables, deposits, other receivables, pledged bank deposits, time deposits with original maturity over three months and cash and cash equivalents. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Financial assets carrying significant credit risk exposures are the trade receivables over 90 days past due amounting to HK$8,887,000 (2012: HK$2,066,000) (Note 26). Management is of the opinion that reasonable actions and mitigations have been carried out to minimise the exposure to credit risk and details of such mitigations are set out in respective notes to the financial statements. In this regards, the directors consider that the Group's credit risk is sufficiently managed.

The credit risk on all pledged bank deposits, time deposits with original maturity over three months and cash and cash equivalents of the Group/Company is minimised as the funds are placed with major banks located in Hong Kong and the PRC respectively.

The Company has limited credit risk on amounts due from subsidiaries. Management periodically monitors the financial position of each of its subsidiaries to ensure each subsidiary is financially viable to settle the debts due to the Company.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's/Company's major exposure to interest rate risk relates primarily to cash and cash equivalents. Interest rates and terms of pledged bank deposits, bank balances and cash, borrowings, amounts due to non-controlling interests of subsidiaries, are disclosed in Notes 27, 28, 31 and 33 respectively.

The following table illustrates the sensitivity of profit after income tax for the year and retained profits to a change in interest rates of +25 basis points and -25 basis points (2012: +25 basis points and -25 basis points) with effect from the beginning of the year. The calculations are based on the bank borrowings and cash and cash equivalents at 31 December 2013 and 2012. All other variables are held constant.

	Group		**Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 25 basis point (2012: 25 basis point) higher				
Profit for the year increase/ (decrease) by	**343**	(364)	**10**	(399)
If interest rates were 25 basis point (2012: 25 basis point) lower				
Profit for the year (decrease)/ increase by	**(343)**	364	**(10)**	399

(iv) Price risk

This relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to other price risk arising from its listed equity investments classified as financial assets measured at fair value through other comprehensive income. Details of the financial assets measured at fair value through other comprehensive income are set out in Note 23. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and consider hedging the risk exposure should the need arise.

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Price risk (continued)

For listed equity securities, an average volatility of 21.46% and 16.55% was observed in Hang Seng Index in Hong Kong and All Ordinary Index in Australia in 2013 respectively (2012: 16.88% and 12%). Had the quoted stock prices for these securities increased or decreased by that amount, the Group's security investment reserve under equity would have been increased or decreased by approximately HK$220,591,000 (2012: HK$164,230,000).

The Company does not expose to the price risk.

(v) Liquidity risk

Liquidity risk relates to the risk that the Group/Company will not be able to meet its obligations associated with its financial liabilities. The Group/Company is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's/Company's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group/Company manages its liquidity needs by carefully monitoring expected payments for potential investments as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout periods are identified on a monthly basis.

The Group/Company maintains mainly cash to meet its liquidity requirements for up to 30-day periods, funding for long-term liquidity needs will be considered when there is any potential investment identified.

The following tables details the remaining contractual maturities at the reporting dates of non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating, based on rates current at the reporting date) and the earliest date the Group/Company can be required to pay:

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

	Group		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2013			
Non-derivative financial liabilities			
Trade and bill payables	663,324	663,324	663,324
Other payables and accruals	858,668	858,668	858,668
Borrowings	580,009	580,009	580,009
Amounts due to non-controlling interests of subsidiaries	20,635	20,635	20,635
	2,122,636	2,122,636	2,122,636

	Company		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2013			
Non-derivative financial liabilities			
Amounts due to subsidiaries	7,800,899	7,800,899	7,800,899
Other payables and accruals	15,255	15,255	15,255
	7,816,154	7,816,154	7,816,154
Financial guarantees issued			
Maximum amount guaranteed	–	1,646,147	1,646,147

41. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

	Group		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2012			
Non-derivative financial liabilities			
Trade and bill payables	717,908	717,908	717,908
Other payables and accruals	1,008,658	1,008,658	1,008,658
Borrowings	1,075,448	1,078,230	1,078,230
Amounts due to non-controlling interests of subsidiaries	21,475	21,475	21,475
	2,823,489	2,826,271	2,826,271
Derivative financial liabilities			
Net settled forward foreign exchange contracts – Cash outflow	241	241	241

	Company		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2012			
Non-derivative financial liabilities			
Amounts due to subsidiaries	6,337,328	6,337,328	6,337,328
Other payables and accruals	15,462	15,462	15,462
Borrowings	193,100	195,881	195,881
	6,545,890	6,548,671	6,548,671
Financial guarantees issued Maximum amount guaranteed	–	985,791	985,791

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities as defined in Notes 2.13 and 2.20:

	Group		Company	
	2013	2012	**2013**	2012
	HK$000	HK$000	**HK$000**	HK$000
Non-current assets				
Financial assets measured at amortised cost:				
– Deposits and other receivables	**203,203**	215,378	**–**	–
Financial assets measured at fair value through other comprehensive income	**1,290,877**	1,300,109	**–**	–
	1,494,080	1,515,487	**–**	–
Current assets				
Financial assets measured at amortised cost:				
– Trade and bill receivables	**2,590,184**	3,540,491	**–**	–
– Deposits and other receivables	**123,559**	86,700	**34,830**	17,643
– Amounts due from subsidiaries	**–**	–	**20,228,168**	19,501,393
– Pledged bank deposits	**204,790**	171,855	**–**	–
– Time deposits with original maturity over three months	**3,450,606**	1,692,681	**2,702,211**	1,444,205
– Cash and cash equivalents	**2,137,611**	2,981,333	**1,492,169**	2,320,778
Financial assets measured at fair value through profit or loss:				
– Derivatives financial instruments	**13,661**	24,645	**–**	–
	8,520,411	8,497,705	**24,457,378**	23,284,019
	10,014,491	10,013,192	**24,457,378**	23,284,019

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

	Group		Company	
	2013	2012	**2013**	2012
	HK$000	HK$000	**HK$000**	HK$000
Current liabilities				
Financial liabilities measured at amortised cost:				
– Trade and bill payables	**663,324**	717,908	**–**	–
– Other payables and accruals	**858,668**	1,008,658	**15,255**	15,462
– Borrowings	**580,009**	1,075,448	**–**	193,100
– Amounts due to non-controlling interests of subsidiaries	**20,635**	21,475	**–**	–
– Amounts due to subsidiaries	**–**	–	**7,800,899**	6,337,328
Financial liabilities measured at fair value through profit or loss:				
– Derivative financial instruments	**–**	241	**–**	–
	2,122,636	2,823,730	**7,816,154**	6,545,890

Financial instruments not measured at fair value include trade and bill receivables, deposits and other receivables, amounts due from/to subsidiaries and non-controlling interests of subsidiaries, bank balances and cash, trade and bill payables, other payables and accruals and borrowings.

Due to their short term nature, the carrying value of these financial instruments approximates fair value.

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

		2013			
	Notes	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	(a)	**1,290,877**	**–**	**–**	**1,290,877**
– Unlisted equity securities		**–**	**–**	**–**	**–**
Financial assets measured at fair value through profit or loss					
– Derivative financial instruments	(c)	**–**	**13,661**	**–**	**13,661**
Total fair value		**1,290,877**	**13,661**	**–**	**1,304,538**

		2012			
	Notes	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	(a)	1,291,429	–	–	1,291,429
– Unlisted equity securities	(b)	–	–	8,680	8,680
Financial assets measured at fair value through profit or loss					
– Derivative financial instruments	(c)	–	24,645	–	24,645
Total fair value		1,291,429	24,645	8,680	1,324,754
Financial liabilities measured at fair value through profit or loss					
– Derivative financial instruments	(c)	–	(241)	–	(241)

42. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

There were no transfers between Level 1 and 2 of the fair value hierarchy during both years.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting periods.

(a) Listed securities

The listed equity securities are denominated in AUD and HK$. Fair values have been determined by reference to their quoted prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Unlisted securities

The fair value of unlisted equity securities approximates their purchase cost.

(c) Derivative financial instruments

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. market currency and interest rates (Level 2). The derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

Of the total gains or losses for the year included in profit or loss, profit of approximately HK$25,430,000 (2012: HK$24,097,000) in relation to forward contracts are included in "change in fair value of derivative financial instruments" in the consolidated statement of profit or loss and other comprehensive income.

The Company does not expose to the risk on fair value measurement.

43. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group's ability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equity and its reserves as capital, for capital management purpose.

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debt (which includes borrowings and asset-backed financing) plus unaccrued proposed dividends, less time deposits with original maturity over three months and cash and cash equivalents. Adjusted capital comprises all components of equity and less unaccrued proposed dividends.

During the year, the Group's strategy, which was unchanged from 2012, was to maintain the net debt-to-adjusted capital ratio at the minimal level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. As at 31 December 2013, the Group's and the Company's adjusted cash position is HK$4,594,665,000 (2012: HK$3,068,382,000) and HK$3,780,837,000 (2012: HK$3,041,699,000) respectively.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

44. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years as extracted from the respective published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**4,268,232**	5,650,590	7,138,643	5,543,285	4,470,131
Profit attributable to owners of the Company	**1,115,066**	1,800,367	2,256,023	1,802,791	1,126,274
Assets and liabilities					
Total assets	**26,870,908**	26,820,521	27,000,297	26,119,627	22,557,408
Total liabilities	**(5,211,743)**	(5,958,538)	(6,442,164)	(6,496,405)	(5,227,644)
Net assets	**21,659,165**	20,861,983	20,558,133	19,623,222	17,329,764
Non-controlling interests	**(1,731,782)**	(1,638,299)	(1,591,554)	(1,473,328)	(1,504,570)
Equity attributable to owners of the Company	**19,927,383**	19,223,684	18,966,579	18,149,894	15,825,194