首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

– Revenue of the Group was HK$1,676 million.

– Profit attributable to the owners of the Company was HK$353 million, up 516.4% from last year.

– Earnings per share was 1.75 HK cents.

The Board has recommended a final dividend for the year 2018 in the total amount of HK$700 million.

The board of directors (the "**Board**") of Shougang Concord International Enterprises Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	*4*	**1,676,296**	3,816,145
Cost of sales		**(1,515,759)**	(3,807,035)
Gross profit		**160,537**	9,110
Other income		**36,688**	6,501
Other gains, net		**16,104**	491
Reversal of provision/(provision) for impairment losses for trade receivables		**13,898**	(25,227)
Net gains/(losses) related to commodity contracts		**44,713**	(122,461)
Administrative expenses		**(178,075)**	(42,261)
Operating profit/(loss)		**93,865**	(173,847)
Finance costs		**(5,699)**	(17,392)
Share of results of associates		**275,363**	248,525
Share of result of a joint venture		**3,253**	–
Profit before income tax		**366,782**	57,286
Income tax expense	*5*	**(10,011)**	–
Profit for the year		**356,771**	57,286
Profit is attributable to:			
Owners of the Company		**353,097**	57,286
Non-controlling interests		**3,674**	–
		356,771	57,286

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Other comprehensive (loss)/income			
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of associates arising on translations		**(167,943)**	176,760
Exchange difference arising on translation of foreign operations		**(29,613)**	–
Item that will not be reclassified to profit or loss:			
Share of exchange differences of associates arising on translations		**–**	38,358
Share of fair value gain on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**6,730**	42,813
Other comprehensive (loss)/income for the year		**(190,826)**	257,931
Total comprehensive income for the year		**165,945**	315,217
Total comprehensive income/(losses) attributable to:			
Owners of the Company		**169,634**	315,217
Non-controlling interests		**(3,689)**	–
		165,945	315,217
Earnings per share			
– Basic and diluted *(HK cents)*	*6*	**1.75**	0.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**8,066**	4,850
Investment properties		**151,702**	6,900
Investments in associates	*7*	**5,232,325**	5,073,079
Investment in a joint venture		**80,216**	81,299
Financial assets at fair value through profit or loss – non-current		**195,416**	121,596
Assets relating to commodity contracts – non-current		**150,193**	151,244
Deferred income tax assets		**–**	35,212
Other non-current assets		**246,280**	208,495
Total non-current assets		**6,064,198**	5,682,675
Current assets			
Trade and bills receivables	*8*	**117,231**	823,704
Prepayments, deposits and other receivables		**63,893**	74,602
Amounts due from related companies		**19**	398
Amounts due from associates		**241**	8
Financial assets at fair value through profit or loss – current		**145,316**	114,676
Assets relating to commodity contracts – current		**3,425**	–
Restricted bank deposits		**2,036**	618
Time deposits with original maturity over three months		**–**	100,000
Bank balances and cash		**3,034,026**	1,389,628
Total current assets		**3,366,187**	2,503,634
Total assets		**9,430,385**	8,186,309
EQUITY			
Capital and reserves			
Share capital	*10*	**8,830,429**	7,349,545
Reserves		**135,828**	(324,756)
Capital and reserves attributable to owners of the Company		**8,966,257**	7,024,789
Non-controlling interests		**29,199**	218,863
Total equity		**8,995,456**	7,243,652

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**29,633**	25,174
Other non-current liabilities		**1,139**	–
Total non-current liabilities		**30,772**	25,174
Current liabilities			
Trade and bills payables	*9*	**61,379**	569,191
Other payables, provision and accrued liabilities		**74,720**	95,895
Contract liabilities		**8,047**	–
Liabilities relating to commodity contracts		**–**	91,989
Tax payable		**156,868**	160,408
Borrowings		**103,143**	–
Total current liabilities		**404,157**	917,483
Total liabilities		**434,929**	942,657
Total equity and liabilities		**9,430,385**	8,186,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's controlling shareholder is Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"), which together with its subsidiaries, held approximately 33% equity interest in the Company as at 31 December 2018, and the ultimate and immediate holding company of Shougang Holding is Shougang Group Co., Ltd., a company established in the People's Republic of China (the "**PRC**", for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan). Shougang Group Co., Ltd., together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Company and its subsidiaries (collectively referred to as the "**Group**"), will hereinafter be referred to as the "Shougang Group". Together with the 19% equity interest in the Company held by Shougang Group's subsidiary, Beijing Shougang Fund Co., Ltd. ("**Shougang Fund**"), the total equity interest in the Company held by Shougang Group is approximately 52%. The addresses of the registered office and principal place of business of the Company are 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries, associates and joint venture are set out in the consolidated financial statements.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These financial statements have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 26 March 2019.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, assets and liabilities relating to commodity contracts and financial assets and liabilities at fair value through profit or loss, which are carried at fair values.

The financial information relating to the years ended 31 December 2017 and 2018 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditors have reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

- HKFRS 9 (2014) Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to HKFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and revised HKFRSs issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendment to HKAS 19	Employee Benefits	1 January 2019
Amendment to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 17	Insurance Contract	1 January 2022
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 28	Investment in Associates and Joint Ventures	1 January 2019
Annual Improvement Project	Annual Improvements 2015 – 2017 Cycle	1 January 2019
Amendments to HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 16 Leases

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$145,860,000.

The Group has not yet assessed the adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

This new standard is mandatory for financial years commencing on or after 1 January 2019.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards and interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(c) Impact of adoption on financial statements – HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

(i) Adoption of HKFRS 9

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

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

The revised version of HKFRS 9 introduced a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. The introduction of this measurement category has no impact on the Group's consolidated financial statements as the Group did not hold any of these simple debt instruments as at 1 January 2018 or 31 December 2018.

The adoption of the revised version of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade and bills receivables for trading of iron ore, management and operations of car parking assets and management of private funds

- contract assets relating to trading of iron ore, management and operations of car parking assets and management of private funds

- other financial assets at amortised costs

The Group revised its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade and bills receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets.

To measure the expected credit losses, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and bills receivables are a reasonable approximation of the loss rates for the contract assets. The Group has assessed that adopting HKFRS 9 would not have a material impact on the Group's result of operation and financial position.

Trade and bills receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Other financial assets at amortised cost

Other financial assets at amortised cost mainly include deposits and other receivables, amounts due from related companies, and amounts due from associates. The Group has assessed the expected credit loss model apply to these assets as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) Adoption of HKFRS 15

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The effects of the adoption of HKFRS 15 are as follows:

(a) Presentation of contract assets and liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities for deposit received recognised in relation to fund management fee and car parking activities were previously presented as other payables.

- Contract assets recognised in relation to operation activities were previously presented as other receivables.

(b) The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of financial position (extract)			
Contract assets	**–**	**37,750**	**37,750**
Other receivables	**37,750**	**(37,750)**	**–**
Contract liabilities	**–**	**38,507**	**38,507**
Other payables	**38,507**	**(38,507)**	**–**

	HKAS 18 carrying amount 31 December 2018	**Reclassification**	**HKFRS 15 carrying amount 31 December 2018**
	HK$'000	***HK$'000***	***HK$'000***
Consolidated statement of financial position (extract)			
Contract liabilities	**–**	**8,047**	**8,047**
Other payables	**8,047**	**(8,047)**	**–**

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 31 December 2017 and the consolidated results, earnings per share (basic and diluted) and consolidated statement of cash flows for the year ended 31 December 2017.

4. REVENUE AND SEGMENT INFORMATION

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

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

Trading business	trading of iron ore;
Car parking assets operation and management business ("**Carpark operation**")	management and operations of car parking assets; and
Urban renewal-oriented fund management business ("**Fund management**")	management of private funds.

An analysis of revenue of the Group is as follows:

	2018	2017
	HK$'000	*HK$'000*
Sales of iron ore	**1,499,792**	3,812,329
Fund management services income	**93,443**	–
Investment income – gain on unlisted equity securities	**9,222**	–
Carpark income	**62,038**	–
Others	**11,801**	3,816
	1,676,296	3,816,145

2018	**Sales of iron ore**	**Fund management services income**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Timing of revenue recognition				
– At a point in time	1,499,792	–	–	1,499,792
– Over time	–	93,443	11,801	105,244
Total	1,499,792	93,443	11,801	1,605,036

Segment revenue and results

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

For the year ended 31 December 2018

	Trading business *HK$'000*	Fund management *HK$'000*	Carpark operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	**1,499,792**	**102,665**	**62,038**	**11,801**	**1,676,296**
Segment profit/(losses)	**44,270**	**24,598**	**(23,479)**	**(672)**	**44,717**
Other income					**36,688**
Other gains					**13,612**
Central administration costs					**(42,612)**
Net gains related to commodity contracts					**44,713**
Finance costs					**(5,699)**
Share of results of associates					**275,363**
Profit before income tax					**366,782**

For the year ended 31 December 2017

	Trading business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	3,812,329	3,816	3,816,145
Segment losses	(19,501)	(5,901)	(25,402)
Other income			6,501
Central administration costs			(32,485)
Net losses relating to commodity contracts			(122,461)
Finance costs			(17,392)
Share of results of associates			248,525
Profit before income tax			57,286

The Fund management and Carpark operation segments were acquired by the Group near the year end of 2017. Therefore, no segment revenue and results of the two segments are presented for the year ended 31 December 2017.

Segment assets and liabilities

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

As at 31 December 2018

	Trading business *HK$'000*	**Fund management** *HK$'000*	**Carpark operation** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Total segment assets	**102,475**	**326,919**	**453,878**	**18,449**	**901,721**
Total segment assets include:					
Investment in a joint venture	**–**	**–**	**80,216**	**–**	**80,216**
Investments in associates					**5,232,325**
Bank balances and cash					**3,034,026**
Unallocated assets					**262,313**
Consolidated assets					**9,430,385**
Total segment liabilities	**55,426**	**29,995**	**61,326**	**7,648**	**154,395**
Unallocated liabilities					**280,534**
Consolidated liabilities					**434,929**

As at 31 December 2017

	Trading business *HK$'000*	Fund management *HK$'000*	Carpark operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Total segment assets	844,822	214,016	249,392	13,216	1,321,446
Total segment assets include:					
Investment in a joint venture	–	–	81,299	–	81,299
Investments in associates					5,073,079
Bank balances and cash					1,389,628
Unallocated assets					402,156
Consolidated assets					8,186,309
Total segment liabilities	601,081	12,544	49,279	2,182	665,086
Unallocated liabilities					277,571
Consolidated liabilities					942,657

Other segment information

2018

	Trading business *HK$'000*	**Fund management** *HK$'000*	**Carpark operation** *HK$'000*	**Other** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets *(Note)*	**–**	**–**	**145,784**	**–**	**145,784**
Depreciation of property, plant and equipment	**50**	**553**	**305**	**212**	**1,120**
Reversal of provision for impairment losses for trade receivables	**13,898**	**–**	**–**	**–**	**13,898**
Increase in fair value of investment properties	**–**	**–**	**7,752**	**200**	**7,952**

2017

	Trading business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Additions to non-current assets *(Note)*	215	151	366
Depreciation of property, plant and equipment	35	224	259
Provision for/(reversal of provision for) impairment losses for trade receivables, net	25,247	(20)	25,227
Increase in fair value of investment properties	–	900	900

Note: Non-current assets exclude those assets arising from the acquisitions, financial assets at fair value through profit or loss – non-current, assets relating to commodity contracts and deferred tax assets.

Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

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

	Revenue from external customers from continuing operations		Non-current assets *(Note)*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**1,673,098**	3,812,329	**1,036,265**	413,888
Hong Kong	**3,198**	3,816	**4,877,740**	5,082,331
	1,676,296	3,816,145	**5,914,005**	5,496,219

Note: Non-current assets exclude assets relating to commodity contracts, equity instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**243,451**	N/A[2]
Customer B[1]	**198,909**	N/A[2]
Customer C[1]	**186,238**	N/A[2]
Customer D[1]	**N/A[2]**	399,963

Note: 1 Revenue from trading business.

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

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the assessable profit (2017: 16.5%).

No provision for Hong Kong profits tax have made in the consolidated financial statements as the Group has no Hong Kong assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2018 (2017: 25%).

The amount of income tax expenses charged to the consolidated statement of comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
Current income tax:		
Taxation outside Hong Kong		
– the PRC	**9,338**	–
Deferred income tax	**673**	–
	10,011	–

Note: In 2016, the income tax expenses included Hong Kong profits tax of approximately HK$49,061,000 in relation to the offshore trading profits of iron ore claimed by the Group in prior years (the "Offshore Claim"). The Group received tax assessment demanding notes on the Offshore Claim (the "Assessment") issued by the Inland Revenue Department subsequent to the end of the reporting period of 2016. Although the management of the Group lodged an objection against the Assessment, provision for prior years' Hong Kong profits tax of HK$49,061,000 was made as the management of the Group was uncertain about the probability of the success of the objection.

In 2017 and 2018, the above mentioned tax objection has not yet been resolved, resulting in the tax certificates of approximately HK$48,343,000 being purchased as requested by the Inland Revenue Department. The balance of tax certificates and corresponding profit tax payable were presented on a net basis within tax payable the Group has a legally enforceable right to and intents to settle on a net basis.

The tax expense for the year can be reconciled to the profit before income tax per the consolidated statement of comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before income tax	**366,782**	57,286
Calculated at domestic tax rates applicable to profits in the respective countries:	**60,796**	9,452
Tax effect of amount which are not deductible/(taxable) in calculating taxable income:		
Share of results of associates	**(45,435)**	(41,007)
Share of result of a joint venture	**(813)**	–
Expenses not deductible for tax purposes	**4,109**	13,338
Income not taxable for tax purposes	**(19,301)**	(2,079)
Tax loss not recognised	**10,808**	21,800
Utilisation of tax losses previously not recognised	**(153)**	(1,504)
Tax expense for the year	**10,011**	–

6. EARNINGS PER SHARE

(a) Basic

The basic earnings per share for the year is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue:

	2018	2017
	HK$'000	*HK$'000*
Profit attributable to the owners of the Company *(HK$'000)*	**353,097**	57,286
Weighted average number of ordinary shares for basic earnings per share *(thousands) (Note)*	**20,121,731**	10,155,814
Basic earnings per share (expressed in Hong Kong cents per share)	**1.75**	0.56

Note: The earnings per share and the weighted average number of ordinary shares for 2017 have been adjusted for the bonus element in the Open Offer.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has no share option outstanding as at 31 December 2018 (year ended 31 December 2017: the share options did not have a dilutive effect on earnings per share).

7. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	**Place of incorporation**	**Principal place of operation**	**Measurement method**	**Proportion of issued shares/ registered capital held by the Group**		**Proportion of voting power held**		**Principal activities**
				2018	2017	**2018**	2017	
Shougang Fushan Resources Group Limited ("Shougang Resources")	Hong Kong	The PRC	Equity method	**27.61%**	27.61%	**27.61%**	27.61%	Coking coal mining, production and sale of coking coal products and side products
Shougang Concord Century Holdings Limited ("Shougang Century") *(note)*	Hong Kong	The PRC	Equity method	**35.71%**	35.71%	**35.71%**	35.71%	Manufacturing and sales of steel cords and processing and trading of copper and brass products

Note: On 21 November 2018, the Company announced that it has entered into a sale and purchase agreement with Shougang Holding, the controlling shareholding company of the Company, pursuant to which the Company has conditionally agreed to sell, and Shougang Holding has conditionally agreed to purchase, the entire equity interest of Fair Union Holdings Limited ("Fair Union") at a consideration of HK$205,997,000 (the "Restructuring"). As at the date of announcement, Far Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century.

According to HKFRS 5, non-current assets and disposal groups should be classified as held-for-sale if their carrying value will be recovered principally through a sales transaction rather than through continuing use. One of the conditions that must be satisfied for classification as held-for-sale is that the sale is highly probable.

The management assessed that the disposal was subject to the approval of independent shareholders in a general meeting and the approval is not able to be ascertained or determined to be highly probable up to the report date. The management determined that not all of the criteria of HKFRS 5 were met. As a result, the investment in Shougang Century as at 31 December 2018, has not been reclassified as an asset held-for-sale. Had the investment in Shougang Century been regarded as held-for-sale as at 31 December 2018, an impairment loss of approximately HK$205,200,000 would have been recognised.

	2018	2017
	HK$'000	*HK$'000*
Cost of investments in associates		
– listed in Hong Kong	**6,834,092**	6,834,092
Share of post-acquisition losses and other comprehensive losses, impairment loss, net of dividends received	**(1,601,767)**	(1,761,013)
	5,232,325	5,073,079
Fair value of listed investments	**2,455,274**	2,628,374

Goodwill

Included in the cost of investment in Shougang Resources, associate of the Group, is goodwill of approximately HK$1,048,488,000 (2017: HK$1,048,488,000) arising from the acquisition of Shougang Resources. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 January 2017, 31 December 2017 and 31 December 2018	2,257,169
IMPAIRMENT	
At 1 January 2017, 31 December 2017 and 31 December 2018	1,208,681
CARRYING VALUES	
At 31 December 2017 and 31 December 2018	1,048,488

8. TRADE AND BILLS RECEIVABLES

The credit term of trade receivables are normally 90 to 180 days as at 31 December 2018 (2017: 90 to 180 days). The maturity period of bills receivables are normally 90 to 180 days as at 31 December 2018 (2017: 90 to 180 days). The following are aging analysis of trade and bills receivables net of provision for impairment losses presented based on the invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	2018	2017
	HK$'000	*HK$'000*
Within 60 days	**117,231**	777,169
61 – 90 days	**–**	34,181
91 – 180 days	**–**	8,712
181 – 365 days	**–**	3,642
	117,231	823,704

Due to the short-term nature of the trade and bills receivables, their carrying amounts are considered to be the same as their fair value.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected losses allowance for all trade receivables. Movement in the provision for impairment losses for trade and bills receivables is as follow:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**27,475**	2,248
(Reversal of provision for)/provision for impairment losses	**(13,898)**	25,227
At 31 December	**13,577**	27,475

The entire balance of the provision for impairment losses for trade and bills receivables with an aggregate amount of HK$13,577,000 (2017: HK$27,475,000) are individually impaired trade receivables.

9. TRADE AND BILLS PAYABLES

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

	As at 31 December	
	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**61,379**	567,082
91－180 days	**–**	2,109
	61,379	569,191

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

10. SHARE CAPITAL

	Number of share *'000*	Share capital *HK$'000*
Ordinary shares issued and fully paid:		
At 31 December 2016	8,957,896	5,345,183
Issue of new shares on 16 November 2017 *(note a)*	8,957,896	2,015,527
Transaction costs attributable to issue of new shares	–	(11,165)
At 31 December 2017	17,915,792	7,349,545
Issue of new shares on 26 March 2018 *(note b)*	1,047,931	227,401
Issue of new shares on 19 September 2018 *(note c)*	4,903,742	1,225,935
Issue of new shares on 28 December 2018 *(note d)*	177,426	34,775
Transaction costs attributable to issue of new shares *(note c)*	–	(7,227)
At 31 December 2018	24,044,891	8,830,429

Note a: On 16 November 2017, the Company issued 8,957,896,227 open offer shares at the subscription price of HK$0.225 per open offer share (the "**Open Offer**"). The total net proceeds of approximately HK$2,004,362,000 had resulted an increase in share capital of approximately HK$2,004,362,000.

Note b: On 26 March 2018, the Company issued 1,047,931,056 shares as a part of the consideration for the acquisition of 44.95% equity interest of Shouzhong Investment Management Co., Ltd ("**Shouzhong Investment**"), a subsidiary of Group at the share price per share of HK$0.217.

Note c: On 19 September 2018, the Company allotted and issued 2,800,000,000, 600,000,000 and 1,503,741,731 shares at a subscription price of HK$0.250 per share to Jingxi Holdings Limited (a subsidiary of Shougang Fund), Rocket Parade Limited and ORIX Asia Capital Limited, respectively. The total net proceeds of approximately HK$1,218,708,000 has resulted an increase in share capital of approximately HK$1,218,708,000.

Note d: On 28 December 2018, the Company allotted and issued 177,425,528 shares as part of the consideration for the acquisition of 100% equity interest of Urban Parking (Beijing) Limited (富城(北京)停車管理有限公司) at the share price per share of HK$0.196.

11. DIVIDENDS

On 26 March 2019, the Board has recommended a final dividend in the total amount of HK$700 million for the year ended 31 December 2018 (2017: Nil). Based on the enlarged total number of issued shares of 27,428,933,903 shares of the Company immediately following the completion of the subscriptions of shares pursuant to the subscription agreements announced by the Company on 19 March 2019, such a final dividend would amount to HK2.55 cents per share. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2018 has not been recognised as a liability as at 31 December 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend in the total amount of HK$700 million for the year ended 31 December 2018 (2017: Nil), payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 17 June 2019. Based on the enlarged total number of issued shares of 27,428,933,903 shares of the Company immediately following the completion of the subscriptions of shares pursuant to the subscription agreements announced by the Company on 19 March 2019, such a final dividend would amount to HK2.55 cents per share.

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Tuesday, 28 May 2019 (the "**AGM**"), the final dividend is expected to be paid on or about Thursday, 18 July 2019. 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 registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 17 June 2019 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive) to determine the shareholders' entitlement to attend and vote at the AGM. During such period, no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 22 May 2019 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

2018 was the first year that the Group focused on car parking assets operation and management business and urban renewal-oriented fund management business. The first annual results have an encouraging performance. The profit for the year was HK$353 million, representing an increase of 516.4% compared to last year. With the efforts of the Group, car parking assets operation and management business begun to contribute revenue and the gross profit margin is increasing along with the improvement of operation. Meanwhile, the urban renewal-oriented fund management business managed by the Group are subscribed by more investors as the team manages the underlying assets of the funds meticulously, therefore the funds rapidly expanded and contributing stable profit to the Group. In addition, guided by the principle of product reduction, risk control and profit increase formulated in the beginning of 2018, the trading business turned around from loss to profit. For all those reasons, the Group's consolidated profit attributable to the owners of the Company in 2018 records an increase compared to that of 2017 by several times.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2018	2017
	HK$ Million	*HK$ Million*
Profit (loss) attributable to the owners of the Company before share of results of associates	**78**	(192)
Share of results of associates	**275**	249
Profit attributable to the owners of the Company	**353**	57

Key Performance Indicators

	For the year ended 31 December/ As at 31 December	
	2018	2017
	HK$ Million	*HK$ Million*
Revenue	**1,676**	3,816
Gross profit margin	**9.6%**	0.2%
Profit attributable to the owners of the Company	**353**	57
Earnings per share *(HK cents)*	**1.75**	0.56
Total assets	**9,430**	8,186
Net assets attributable to the owners of the Company	**8,966**	7,025
Bank balances, cash and time deposit with original maturity over three months	**3,034**	1,490
Borrowings	**103**	–

The Group's profit attributable to the owners of the Company for the year ended 31 December 2018 was HK$353 million as compared to the profit of HK$57 million for last year. The Group recorded a revenue of HK$1,676 million, representing a decrease of 56.1% over last year. The gross profit margin increased significantly from 0.2% for last year to 9.6% for the year. The earnings per share for the year was 1.75 HK cents and the earnings per share for the last year was 0.56 HK cents.

FINANCIAL REVIEW

Year ended 31 December 2018 compared to the year ended 31 December 2017

Revenue and Cost of Sales

The Group recorded revenue of HK$1,676 million for this year, representing a decrease of 56.1% when comparing to HK$3,816 million for last year. The decrease in revenue was mainly because that after the introduction of new businesses and based on the status quo of the trading business, the Group decided to strictly control the increase in trading volume of iron ore.

Cost of sales for the year was HK$1,516 million, representing a decrease of 60.2% when comparing to HK$3,807 million for last year. The decrease in cost of sales was also mainly attributable to the tightened control in trading volume of iron ore by the Group.

Gross profit for the year was HK$161 million. The gross profit margin was 9.6% as compared to 0.2% for last year. The increase in gross profit margin was attributable to the improvement in the overall risk management and operation capability of the original iron ore trading business on one hand, and to the newly added car parking assets operation and management business and urban renewal-oriented fund management business on the other hand. The gross profit margin of both businesses was much higher than that of iron ore trading business, especially the urban renewal-oriented fund management business.

EBITDA

For the year under review, earnings before interest, tax, depreciation, amortisation, impairment loss and changes in fair value of commodity contracts for the operations of the Group was HK$352 million (2017: HK$223 million).

Finance costs

For the year under review, finance costs amounted to approximately HK$6 million, 67.2% lower than that of last year. The decrease in finance costs was due to the decrease in the overall loan of the Group.

Share of results of associates

In this year, we have shared a profit of HK$278 million from Shougang Resources and shared a loss of HK$3 million from Shougang Century, whereas for last year, the share of profit from Shougang Resources and loss from Shougang Century were HK$273 million and HK$24 million respectively.

Taxation

The tax expense for the year was HK$10 million, mainly for the payment of the China enterprise income tax for the subsidiaries engaged in operation and management of car parking assets and management of private funds in the Mainland China with the tax rate of 25%, while there was no tax payment for the last year.

REVIEW OF OPERATIONS

Summary of net profit contribution to the Group by operation/entity:

Operation/Entity		Percentage of interest held by the Group	For the year ended 31 December	
			2018	2017
			HK$ Million	*HK$ Million*
1.	**Trading business**	100%	**44**	(20)
2.	**Car Parking Assets Operation and Management Business**	100%	**(23)**	–
3.	**Urban Renewal-oriented Fund Management Business**	100%	**25**	–
	Sub-total		**46**	(20)
4.	**Share of results of associates**			
	Shougang Resources	27.61%	**278**	273
	Shougang Century	35.71%	**(3)**	(24)
	Sub-total		**275**	249
5.	**Others**			
	Net gains/(losses) related to commodity contracts		**45**	(122)
	Corporate and others		**(13)**	(50)
	Sub-total		**32**	(172)
Profit attributable to the owners of the Company			**353**	57

Trading Business

The trading business of the Group mainly involves the trading of iron ore imported by the PRC. Iron ore is a vital raw material for the manufacturing of steel, while steel is one of the important material widely applied in our daily life, including development of infrastructures, real estates, shipbuilding, railways, industrial machineries, automobiles and home appliances, etc.

Since 2017, the Group has adjusted its business model based on market conditions and has begun to use hedging instruments including iron ore futures/swaps to reduce the risks faced by its iron ore trading business. The Group expects that the prospects of the trading business will remain challenging. As a result, it has decided to strictly control the risks of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transaction.

In the current year, sales volume of iron ore in trading business was approximately 2.93 million tonnes, representing a decrease of 60.3% when comparing to last year, and the selling price decreased by 1.8% to US$65.4 per tonne. The Group recorded a revenue of HK$1,500 million, representing a decrease of 60.6% when comparing to last year. Although the revenue decreased, the gross profit increased significantly and the gross profit margin increased from the 0.2% for 2017 to 3.5% for this year. The net profit amounted to HK$44 million, as compared with the net loss of HK$20 million for last year. The increase in net profit was mainly due to the increase of gross profit margin and the reversal of provision of impairment loss in trade receivables of HK$25 million.

Ever since 2009, the trading business had mainly involved trading of iron ore pursuant to the offtake agreements entered into with Mount Gibson Iron Limited ("**Mt. Gibson**"). However, the amount of iron ore provided by Mt. Gibson to the Group dropped significantly following the suspension of the Koolan Island mine of Mt. Gibson due to the occurrence of seawall slump and flooding in late 2014. Mt. Gibson has restarted the production of Koolan Island mine which is currently progressing well. Mt. Gibson expressed that, according to its feasibility study and technical assessment results of the Koolan Island mine, the mine had a reserve of iron ore (66% Fe) of 21 million tonnes and was expected to resume iron ore sales in the first half of 2019. Under the offtake agreement, the Group is required to acquire 80% of the annual production of Koolan Island.

In December 2016, the Group entered into another offtake agreement with Mt. Gibson for the purchase of about one fourth of the first year's production volume of iron ore from Iron Hill, a new project of Mt. Gibson. The offtake agreement has a term of 12 months, with subscription price to be determined based on cost and freight after taking consideration of the market price with reference to Platts Iron Ore Index, plus general market premium on iron lump, and penalties in relation to the purity of the iron ore. The Group is entitled to extend the term of the agreement to a maximum of 12 months. In December 2017, the Group entered into another offtake agreement in respect of the iron ore purchase from Iron Hill mine, which further optimised the procurement costs for the purchase of iron ore from Iron Hill mine. The performance of the offtake agreement in relation to the Iron Hill mine entered into between the Group and Mt. Gibson will be completed in the first quarter of 2019.

The iron ore trade has no strategic synergy with the Group's new principal business. The Group will continue to reduce iron ore trading volume to reduce ore trading revenue, and strictly control the risk of ore trading.

Urban Renewal-oriented Fund Management Business

The Group expanded its business to private fund management through the acquisition of 京冀協同發展示範區(唐山)基金管理有限公司(Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.) ("**Jingji Capital**") at the end of 2017. On May 2018, the registered capital of Jingji Capital changed from RMB200 million to RMB400 million, and all of the additional registered capital was contributed by Jingji (Hong Kong) Limited, a wholly-owned subsidiary of the Group. As of 31 December 2018, there are 17 funds managed or operated by Jingji Capital, with a total target subscription scale of approximately RMB30 billion. Currently, the investors of the managed funds include major financial institutions such as Agricultural Bank of China, China Merchants Bank and China Life Insurance, as well as various provincial and municipal government fund investment agencies in Beijing, Hebei Province, Jilin Province, Sichuan Province and Heilongjiang Province, etc. The funds focus on the investments of car parks based infrastructure and the renovation of old parks. Meanwhile, it will consider investments in health care based consumer upgrades, new energy auto parts and equipment manufacturing, as well as advanced technologies.

In 2018, the Group successively raised, established and managed a number of new funds to serve the development of urban renewal business, including: 京冀曹妃甸協同發展示範區基金一期(有限合夥)(Beijing-Hebei Caofeidian Co-development Exhibition Zone Fund I) (Limited Partnership) with a size of RMB1 billion, focusing on supporting the development and construction of Caofeidian Park; 北京首鋼產業轉型基金有限公司 (Beijing Shougang Industry Transformation Fund Co., Ltd.) with a registered capital of RMB10 billion (the subscription for the first and second phases of registered capital has been completed and the fund size is RMB8.1 billion), focusing on supporting the development of 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park, "**Shougang Park**"); and 北京首獅銘智瑾信經濟咨詢企業(有限合夥)(Beijing Shoushi Ming Zhi Jin Xin Economic Consulting Firm (Limited Partnership)*) with a size of RMB1,605 million for investment in Shouao Industrial Park project which is to provide Organising Committee for the 2022 Winter Olympic Games with offices and ancillary premises for training, as well as to develop itself as an influential industrial park in China by introducing internationally well-known sports industry leaders, cultural and creative enterprises and technology innovation companies. The Group adopts the real estate financial model of "funds + bases + industries" to participate in the development, management, operation, and exit of industrial entities. Through having controlling shareholding or investing in the enterprises in the old industrial zone, it will lead the concentration of high-end industries and promote regional development, transformation and upgrade.

As the fund manager, Jingji Capital is usually the general partner. In line with the industry practice of private fund, the general partner shall invest in a minority stake of the funds under its management so as to share its investment return and alpha returns. At 31 December 2018, Jingji Capital held a basket of interest in the minority stake of funds totaling HK$195 million.

With the steady growth in the number and size of funds under the management of Jingji Capital, the Group expects that in the foreseeable future, the management fee income and investment return from the provision of private fund management services will achieve sustainable and rapid growth.

Car Parking Assets Operation and Management Business

Currently, “difficulties and chaos in parking” is one of the painful points in the administration of large and medium-sized cities across China and there is a huge gap between the demand for and the supply of parking spaces. To solve the problem of scatter, weakness, small scale and low operational efficiency of car parking industry, the Group provides integrated solutions for the control of regional static traffic and smart car parking facilities. With all the efforts, the Group aims to enhance the operational efficiency of regional static and dynamic traffic management.

The Group accelerated the layout of the parking industry and adhered to the principle of “key cities, prime locations and quality parking spaces”, while focusing on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high-quality, high-return operational projects. At present, the Group has entered into contracts in relation to the benchmark projects in the industry including Beijing Daxing International Airport, Shanghai Hongqiao Airport, Guiyang Longdongbao Airport, Beijing China-Japan Friendship Hospital, and Beijing Station. In 2018, the Group obtained the long-term operation rights of 22,128 car parking lots in Beijing, Shanghai, Chongqing, etc.

Through acquisition, the Group strengthened its existing advantages and quickly integrated market resources in the meanwhile.

首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.) (“**Shouzhong Investment**”) is principally engaged in the business of car parking assets investment and operation in the PRC. The Group has completed the acquisition of 44.94382% of Shouzhong Investment held by CIMC Transportation Equipment (International) Holdings Limited (“**CIMC Transportation**”) on 23 March 2018. Upon the acquisition, Shouzhong Investment is owned as to 89.88764% by the Group. According to the acquisition agreement, the consideration of approximately RMB209,884,269 was to be settled by way of issuing a total of 1,047,931,056 new shares by the Company at an issue price of HK$0.2475 per share. The consideration shares were issued on 26 March 2018 at the share price per share of HK$0.217. In April 2018, the registered capital of Shouzhong Investment changed from RMB445 million to RMB1.5 billion to support its rapid business development. In September 2018, the Company acquired the equity interests held by Beijing Jianshi Tongxin Management Consultancy Centre（北京堅石同心管理諮詢中心）in Shouzhong Investment. Upon completion of the acquisition, Shouzhong Investment is held as to 100% by the Company and became a wholly-owned subsidiary of the Company.

On 28 December 2018, the Group completed the acquisition of the entire equity interest in Urban Parking (Beijing) Limited（富城（北京）停車管理有限公司）(“**Fucheng**”), which further expanded its business of management and operations of car parking assets. Fucheng, together with its subsidiaries, is principally engaged in the provision of car parking management services in Beijing, Shanghai and Chongqing and manages over 10,000 car parking lots, most of which are located in urban core areas. Pursuant to sale and purchase agreement, the consideration of the acquisition was RMB49,380,000 (equivalent to approximately HK$55,591,831), of which RMB9,980,000 shall be settled in cash and RMB39,400,000 shall be settled by way of allotment and issuance of 177,425,528 new shares at HK$0.25 per share by the Company. The consideration shares were issued on 28 December 2018 at the share price per share of HK$0.196. Through the acquisition, Fucheng became a wholly-owned subsidiary of the Group and could contribute all its revenue and profit to the Group. Meanwhile, the experienced management team of Fucheng will help the Group expand the market share, in particular in respect of commercial, office and car parking lot businesses.

In addition, Shouzhong Investment also owns the car park operation right of a major project in the new airport in Beijing through the investment in 48.125% equity interest in 北京首中停車管理有限公司 (Beijing Shouzhong Car Parking Management Company Limited) ("**Shouzhong Parking**"), a joint venture of Shouzhong Investment. The operation of the new airport project is for a term of 20 years with an option to extend for a further 5 years. The new airport in Beijing will contain 4,200 parking lots and is expected to be put into operation by the end of 2019. On 30 December 2018, Beijing Shouxing Zhixing Investment Co., Ltd.* (北京首興智行投資有限公司) (a wholly-owned subsidiary of the Company) ("**Shouxing Zhixing**"), Shouzhong Investment, Shouzhong Parking, Shougang Fund and Beijing Gonglian Anda Car Parking Management Co., Ltd.* (北京公聯安達停車管理有限公司) ("**Gonglian Anda**") entered into the Capital Increase Agreement, pursuant to which, Shouxing Zhixing proposed to contribute RMB76,000,000 to the registered capital of Shouzhong Parking, and the registered capital of Shouzhong Parking will thereby be increased from RMB144,000,000 to RMB220,000,000. The capital increase will be subject to consideration by independent shareholders at the general meeting of the Company. Upon completion of the capital increase, the Company's interests in Shouzhong Parking will be increased to approximately 66.045% and Shouzhong Parking will become a subsidiary of the Company and be incorporated in the accounts of the Company.

Shougang Resources

Exploration and sale of coking coal

Shougang Resources is a 27.61% owned associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coal mines in Shanxi province, PRC, namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine. It sold 0.74 million tonnes of raw coking coal and 2.10 million tonnes of clean coking coal during the year and its consolidated revenue for the year was HK$3,686 million, an increase of 6% over that of last year. The selling price (inclusive of VAT) of raw coking coal and clean coking coal sold during the year were RMB786 and RMB1,451 respectively, representing increases of 15% and 5% respectively comparing to last year. In 2018, the price of raw coking coal and clean coking coal rose slightly, however, as affected by the decline in the sales volume of raw coking coal, the profit attributable to the owners of the Company of Shougang Resources for this year was HK$1,100 million, which was substantially flat with HK$1,081 million for last year, representing an increase of 2%. Profit of Shougang Resources attributable to the Group was HK$278 million in this year while the profit was HK$273 million in last year.

The strong financial position of Shougang Resources with zero gearing ratio and bank balances of HK$4.5 billion enable it to improve its value when appropriate investment opportunities arise.

Customers are confident of the high-quality products of Shougang Resources which are regarded as panda coal.

Shougang Century

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

Shougang Century is a 35.71% owned associate of the Group listed in Hong Kong whose businesses are manufacturing of steel cords and processing and trading of copper and brass products in Shandong province and Zhejiang province, the PRC. The Group's share of its net loss was HK$3 million in this year, comparing to the share of net loss of HK$24 million in last year.

With the Group's transformation towards car parking assets operation and management business and urban renewal-oriented private fund management business, from the perspective of future development strategies, the existing businesses of Shougang Century are not complementary to the business development of the Group. To make full use of resources and optimise the principal business structure, on 21 November 2018, the Group entered into the sale and purchase agreement with Shougang Holding in relation to disposal of the 35.71% equity interest in Shougang Century at a consideration of HK$205,996,553.70, which reflects an indirect transfer of 686,655,179 shares of Shougang Century at a consideration of HK$0.30 per share of Shougang Century. The restructuring will be subject to consideration by independent shareholders at the general meeting of the Company. Upon completion of the restructuring, the Group will be no longer hold any equity interest in Shougang Century.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aims to diversify its funding sources through utilisation of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Cash/Bank Balances and Loans

The cash and bank balances, and borrowings of the Group as at 31 December 2018 as compared to 31 December 2017 is summarised below:

	As at 31 December	
	2018	2017
	HK$ Million	*HK$ Million*
Cash and bank deposits	**3,034**	1,490
Borrowings	**103**	–
Equity attributable to the owners of the Company	**8,966**	7,025

2. **Currency Risk, Interest Rate Risk and Other Market Risk**

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the currency, and interest rate risk of the Group. Derivatives are mainly used for managing such risks. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and the Mainland China, it is subject to the foreign exchange fluctuations of HK dollars, US dollars and Renminbi. To minimise currency exposure, non-Hong Kong dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2018, approximately 89.5% of the Group's revenue for the continuing operations was denominated in US dollars and 10.3% in RMB.

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balance and borrowings. As at 31 December 2018, if interest rates on bank borrowings was 25 basis points higher/lower with all other variables held constant, there would be no significant impact on the post tax profit of the Group.

The Group is exposed to foreign currency risk and commodity prices risk through its commodity contracts to purchase iron ore. The Group used iron ore future/swap to hedge for the price risks of the purchase cost and selling price arising from iron ore trading.

3. **Financing Activities**

As at 31 December 2018, the balance of the Group's term loan financing is HK$35 million.

On 2 February 2018, the Group entered into a lease agreement with South China International Leasing Company Limited, where the leasing principal is RMB60 million, equivalent to approximately HK$74 million with an annual interest rate of 5.5% and a lease term of one year.

USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES

On 16 November 2017, the Company completed an open offer of 8,957,896,227 shares with the net proceeds of approximately HK$2,004 million, of which, approximately HK$440 million was used to pay for the consideration and related expenses of the acquisition of Jingji Capital and Shouzhong Investment; approximately HK$250 million was used to pay for the capital increase of Jingji Capital and Shouzhong Investment; approximately HK$270 million was used to repay the bank loans of the Group; approximately HK$490 million was used to support the existing operation of trading business; approximately HK$410 million was used to expand the car parking and fund management businesses and to supplement general working capital. The proceeds from rights issue have almost been fully utilised based on their proposed use in 2017 and 2018.

On 19 September 2018, the Company completed the open offer of shares, and a total of 4,903,741,731 new shares were subscribed by JingXi Holdings Limited, a wholly-owned subsidiary of Shougang Fund, Rocket Porade Limited, a wholly-owned subsidiary of NWS Holdings Limited and its subsidiaries ("**NWS Group**") and ORIX Asia Capital Limited ("**ORIX Asia**") with net proceeds of approximately HK$1,219 million. Out of the net proceeds, approximately HK$850 million was applied for the Shougang Park, and the remaining amount was invested in the car parking assets operation and management business. The net proceeds have not been utilised so far, and will be used in the abovementioned activities in the future, to cooperate closely with Shougang Group to participate in the development and management of Shougang Park as well as to further expand the car parking assets operation and management business. At present, the Group has reserved a number of quality car park projects with strong demand for liquidity. With adequate cash reserves, the Group is capable to capture the opportunity of the high-growth period of the car parking industry and deliver greater returns to its shareholders.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals by the Group during this year.

SUBSEQUENT EVENT

On 19 March 2019, the Company entered into the subscription agreements with Soteria Financial Investment Company Limited ("HOPU"), Red Avenue Investment Group Limited ("Red Avenue") and Matrix Partners China V Hong Kong Limited ("Matrix Partners"), pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 3,384,043,134 subscription shares at the subscription price of HK$0.25 per subscription share. Upon the completion of the subscription, HOPU, Red Avenue, and Matrix Partners will hold approximately 9.9%, 0.438% and 2% of the Company's equity interest. The net proceeds from the issue of the subscription shares are estimated to be approximately HK$845 million. The Company intends to use the net proceeds for general working capital, further financing the Group's businesses in management and operation of car parking assets and urban renewal-oriented fund management, as well as for funding other potential investments by the Group in the future.

CAPITAL STRUCTURE

The Company issued 6,129,098,315 new shares during this year.

The issued share capital of the Company was HK$8,830,429,429 (represented by 24,044,890,769 issued ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 413 employees as at 31 December 2018.

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

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

PROSPECTS

In 2019, the Group will further reduce and control the scale of the non-core businesses such as iron ore trading, and focus more on the car parking assets operation and management and urban renewal-oriented fund management business.

As of 2018, the car ownership in China has exceeded 240 million, while the gap between the demand for and the actual number of car parking lots has exceeded 80 million. We anticipated that the demand for car parking lots in car parks would remain double-digital growth. The car parking industry currently has problems including low management efficiency, excessive market dispersion, and lack of leading enterprise in the industry, which represented a huge space for integration and market expansion for Shougang Concord International. As the only one listed company in China that focuses on the investment and operation of car parking assets, the Group is committed to becoming a pioneer and promoter of the car parking industry. The Group will not only focus on the domestic market, but also the overseas. It is expected that the Group will achieve extremely fast development in respect of car parking operation in the future.

While creating long-term and stable profits for the Company, the private fund management business also contributed to the growth of the Company's urban renewal and car parking business. A unique development model of "funds + bases + industries" was formed, providing a solid foundation for the robust growth in the future.

In addition, in view of the strong fund-raising capability and tremendous investors base (international large-scale financial institutions and provincial and municipal government invested fund), it is expected that fund management income and the investment return will continue to rise as the fund size increases.

However, the original business of trading of imported iron ore was inconsistent with the strategy of the Group to develop the car parking assets operation and management and urban renewal-oriented fund management business. The Group will further reduce the sales volume of iron ore trading and dispose the business in a timely manner depending on market conditions.

In order to support the business transformation, the Group has successively introduced new strategic shareholders, namely Shougang Fund, CIMC Group, NWS Group, ORIX Asia HOPU, Matrix Partners, and Red Avenue, which form synergy with the business of the Group. Through diversified structure of shareholders, the Group seeks longer-term and broader development for the new principal business in the future.

The introduction of strategic shareholders will greatly help the Company's business development, improvement of governance, and optimisation of risk management. The Group will be more proactive in seeking projects to expand the existing business, with the aim of supporting the rapid development of the Group.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions and, where applicable, met the recommended best practices in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2018. Details of the Company's compliance with the code provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2018 annual report.

APPRECIATION

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

By order of the Board
Shougang Concord International
Enterprises Company Limited
Zhao Tianyang
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Li Shaofeng (Vice Chairman), Mr. Xu Liang and Mr. Liang Hengyi (Managing Director) as Executive Directors; Dr. Li Yinhui, Mr. Liu Jingwei, Mr. Ho Gilbert Chi Hang and Mr. Li Hao as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao and Ms. Zhang Quanling as Independent Non-executive Directors.