SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

Stock Code : 697

Annual Report

2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Zhao Tianyang *(Chairman)*
Li Shaofeng *(Vice Chairman)*
Liang Hengyi *(Managing Director)*
Shu Hong *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Liu Jingwei *(Non-executive Director)*
Li Yinhui *(Non-executive Director)*
Kan Lai Kuen, Alice
(Independent Non-executive Director)
Wong Kun Kim
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)
Zhang Quanling
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Zhao Tianyang *(Chairman)*
Li Shaofeng
Liang Hengyi
Shu Hong

AUDIT COMMITTEE

Kan Lai Kuen, Alice *(Chairman)*
Liu Jingwei
Li Yinhui
Wong Kun Kim
Leung Kai Cheung

NOMINATION COMMITTEE

Zhao Tianyang *(Chairman)*
Liang Hengyi
Leung Shun Sang, Tony
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung
Zhang Quanling

REMUNERATION COMMITTEE

Wong Kun Kim *(Chairman)*
Li Shaofeng
Leung Shun Sang, Tony
Li Yinhui
Kan Lai Kuen, Alice
Leung Kai Cheung
Zhang Quanling

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

697

WEBSITE

www.shougang-intl.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Zhao Tianyang, aged 37, holds a bachelor degree in science, a master degree in economics from Peking University and an executive master of business administration (EMBA) degree from Cheung Kong Graduate School of Business. Mr. Zhao was appointed an Executive Director and the Chairman of the Board in January 2018 and is the chairman of each of the Executive Committee and the Nomination Committee of the Company. Mr. Zhao joined Shougang Group Co., Ltd. ("Shougang Group") in December 2011. He is the assistant to general manager of Shougang Group, a director of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), the general manager of Beijing Shougang Fund Co., Ltd. ("Shougang Fund") and the assistant to the supervisor of the corporate bond regulatory department of The China Securities Regulatory Commission. Both Shougang Holding and Shougang Fund are wholly-owned subsidiaries of Shougang Group. Each of Shougang Group, Shougang Holding and Shougang Fund is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Prior to joining Shougang Group, Mr. Zhao worked in Beijing Municipal Commission of Development and Reform and in Peking University. Mr. Zhao has extensive experience in company operation and management, investment and capital operation.

A service agreement was entered into between Mr. Zhao and a wholly-owned subsidiary of the Company for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the service agreement, Mr. Zhao is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. Mr. Zhao declined any salary from the Company and its subsidiaries (the "Group") voluntarily.

Mr. Li Shaofeng, aged 51, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Managing Director of the Company in May 2010 and was re-designated as the Vice Chairman of the Board from 6 January 2018. He is a member of each of the Executive Committee and the Remuneration Committee of the Company. Mr. Li joined Shougang Group in 1989 and held many senior positions in the group companies of Shougang Group. Mr. Li is the managing director of Shougang Fushan Resources Group Limited ("Shougang Resources") and an executive director of BeijingWest Industries International Limited ("BeijingWest International"). He is also a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Li was the chairman of Shougang Resources from October 2011 to January 2018, the chairman of Shougang Concord Century Holdings Limited ("Shougang Century") from March 2000 to January 2018, the chairman of each of Shougang Concord Grand (Group) Limited ("Shougang Grand") and Global Digital Creations Holdings Limited ("GDC") from May 2010 to June 2017, and a director of China Dynamics (Holdings) Limited ("China Dynamics") from October 2007 to November 2015, all of Shougang Resources, Shougang Century, Shougang Grand, GDC and China Dynamics are Hong Kong listed companies. Mr. Li has extensive experience in management of listed companies, investments and capital operation.

A service agreement was entered into between Mr. Li and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2017. Under the service agreement, Mr. Li is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. Mr. Li declined any salary from the Group voluntarily.

DIRECTORS' BIOGRAPHIES

Mr. Liang Hengyi, aged 44, holds a master degree in economics and a doctor of philosophy degree in management, a senior economist. Mr. Liang was appointed an Executive Director and the Managing Director of the Company in January 2018 and is a member of the each of the Executive Committee and the Nomination Committee of the Company. Mr. Liang was the managing director of Shougang Fund, a wholly-owned subsidiary of Shougang Group. He also served as the general manager of non-fare business unit of Beijing Infrastructure Investment Co., Ltd., the general manager of Beijing Capital Investment Rail Transit Assets Management Company and the president of Beijing Urban Underground Space Development and Construction Co., Ltd.

A service agreement was entered into between Mr. Liang and a wholly-owned subsidiary of the Company for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the service agreement, Mr. Liang is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. For the financial year 2018, Mr. Liang's monthly salary is HK$220,000. Such salary was determined by the Remuneration Committee with reference to Mr. Liang's experience and duties as well as the then prevailing market conditions.

Mr. Shu Hong, aged 47, holds a bachelor degree in engineering and a master degree in business administration. Mr. Shu was appointed an Executive Director and a Deputy Managing Director of the Company in December 2015 and is a member of the Executive Committee of the Company. He joined Shougang Group in 1993 and worked in various companies under Shougang Group. Mr. Shu has extensive experience in company operation and management.

A service agreement was entered into between Mr. Shu and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2017. Under the service agreement, Mr. Shu is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. For both financial years 2017 and 2018, Mr. Shu's monthly salary is HK$200,000 and HK$150,000 respectively. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Shu's individual performance.

Mr. Leung Shun Sang, Tony, aged 75, 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 November 1992 and is a member of each of the Remuneration Committee and the Nomination Committee of the Company. He is also a non-executive director of each of Shougang Resources, Shougang Century, Shougang Grand, GDC and CWT International Limited (formerly known as HNA Holding Group Co. Limited) ("CWT"). 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 extensive 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 2017. 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 both financial years 2017 and 2018, the director's fee of Mr. Leung is HK$230,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Liu Jingwei, aged 50, graduated from the School of Economics of Beijing Forestry University in 1989 and from Shanghai Advanced Institute of Finance with a master degree in 2016. He is a PRC Certified Public Accountant and a member of the registration committee of the Beijing Institute of Certified Public Accountants. Mr. Liu was appointed a Non-executive Director of the Company in January 2018 and is a member of Audit Committee of the Company. Mr. Liu currently serves as a senior partner of Shinewing Certified Public Accountants and is an external director of Shougang Group. Shougang Group is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He is an independent non-executive director of China Nonferrous Mining Corporation Limited, a Hong Kong listed company, an independent director of Shanghai Yaohua Pilkington Glass Group Co., Ltd., a company listed on the Shanghai Stock Exchange, and an independent director of Guiyang Longmaster Information & Technology Co., Ltd.（貴陽朗瑪信息技術股份有限公司）, a company listed on the Shenzhen Stock Exchange. Mr. Liu was an independent director of Jinxi Axle Company Limited, a company listed on the Shanghai Stock Exchange from September 2010 to March 2017 and was an independent director of Xuzhou Kerong Environmental Resources Co., Ltd.（徐州科融環境資源股份有限公司）, a company listed on the Shenzhen Stock Exchange from August 2016 to April 2017.

An engagement letter was entered into with Mr. Liu for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the engagement letter, Mr. Liu is entitled to a director's fee as may be determined by the Board from time to time. For the financial year 2018, the director's fee of Mr. Liu is HK$250,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Liu. Such director's fee was determined by the Board with reference to Mr. Liu's experience and duties as well as the then prevailing market conditions.

Dr. Li Yinhui, aged 50, obtained a bachelor degree in arts (history) and a doctorate degree in world economy from the Jilin University in 1991 and 2001 respectively, and a master degree in business administration from the Nanjing University in 1997. He completed his postdoctoral research in China Centre for International Economic Exchanges in 2016. Dr. Li was appointed a Non-executive Director of the Company in January 2018 and is a member of each of the Audit Committee and the Remuneration Committee of the Company. Dr. Li is a non-executive director and the chairman of China Fire Safety Enterprise Group Limited, a Hong Kong listed company, and is the vice-president of China International Marine Containers (Group) Co., Ltd., a company listed on both Shenzhen and Hong Kong Stock Exchanges. Dr. Li has extensive experience in managing large-scale enterprises.

An engagement letter was entered into with Dr. Li for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the engagement letter, Dr. Li is entitled to a director's fee as may be determined by the Board from time to time. For the financial year 2018, the director's fee of Dr. Li is HK$310,000 for a full year which will be paid in proportion to the actual length of services provided by Dr. Li. Such director's fee was determined by the Board with reference to Dr. Li's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Ms. Kan Lai Kuen, Alice, aged 63, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan was appointed an Independent Non-executive Director of the Company in September 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. Ms. Kan held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of Asia Investment Management Limited, a licensed corporation under the SFO. Ms. Kan is licensed as a responsible officer of Asia Investment Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, Shimao Property Holdings Limited, China Energine International (Holdings) Limited, Cosmopolitan International Holdings Limited and Mason Group Holdings Limited, all of which are listed companies in Hong Kong. Ms. Kan is an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of Singapore Exchange Securities Trading Limited. Ms. Kan is well experienced in corporate finance including both the equity and debt markets.

An engagement letter was entered into with Ms. Kan for a term of three years commencing on 1 January 2017. Under the engagement letter, Ms. Kan is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Ms. Kan is HK$330,000 for a full year. Such director's fee was determined by the Board with reference to Ms. Kan's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 73, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 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. Wong is licensed as a responsible officer of Asia Investment Management Limited under the SFO. He has over 40 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America.

An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2017. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Mr. Wong is HK$330,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Leung Kai Cheung, aged 72, graduated from The Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 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 each of BeijingWest International, CWT and Hong Kong International Construction Investment Management Group Co., Limited, all of which are listed companies in Hong Kong. Mr. Leung had been a senior executive of Citibank, N.A., the general manager of Barclays Bank PLC in charge of Kowloon and New Territories districts and was the chairman of Star International Enterprises Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

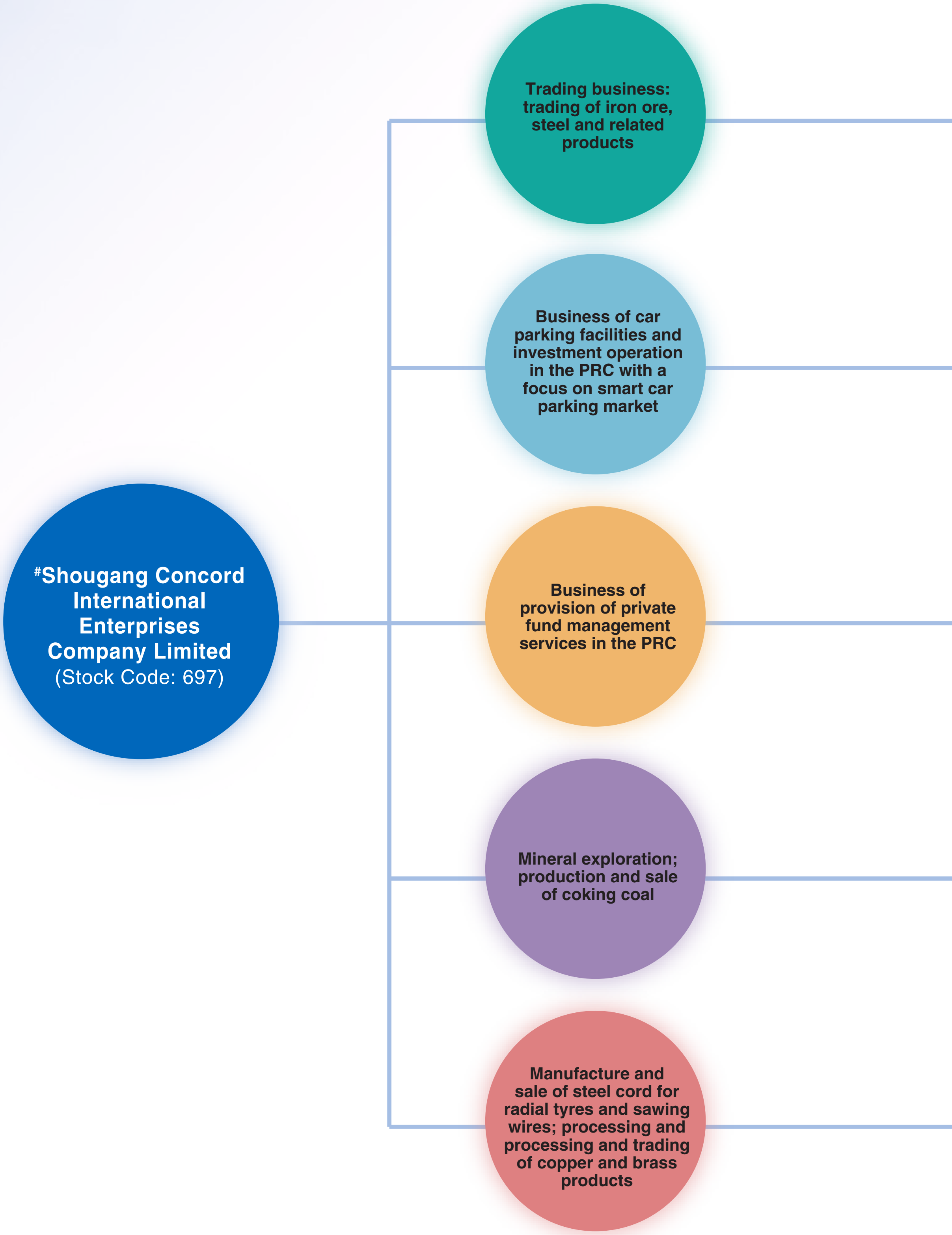
An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2017. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Mr. Leung is HK$330,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Ms. Zhang Quanling, aged 44, holds a bachelor degree in arts. Ms. Zhang was appointed an Independent Non-executive Director of the Company in January 2018 and is a member of each of the Nomination Committee and the Remuneration Committee of the Company. Ms. Zhang joined China Central Television in 1997 and has hosted the famous programmes such as "Oriental Horizon", "Focus Interview". She participated in numerous news live coverage and was awarded the Golden Microphone Awards, the Golden Eagle Awards, the Fan Changjiang Journalism Award, the most prestigious journalism award in China, and the 19th top ten Outstanding Chinese Youths. Ms. Zhang currently is the founding partner of Ziniu Fund. Ms. Zhang has extensive experience in news media, brand building and strategic planning.

An engagement letter was entered into with Ms. Zhang for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the engagement letter, Ms. Zhang is entitled to a director's fee as may be determined by the Board from time to time. For the financial year 2018, the director's fee of Ms. Zhang is HK$230,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Zhang. Such director's fee was determined by the Board with reference to Ms. Zhang's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

AS AT 31 DECEMBER 2017

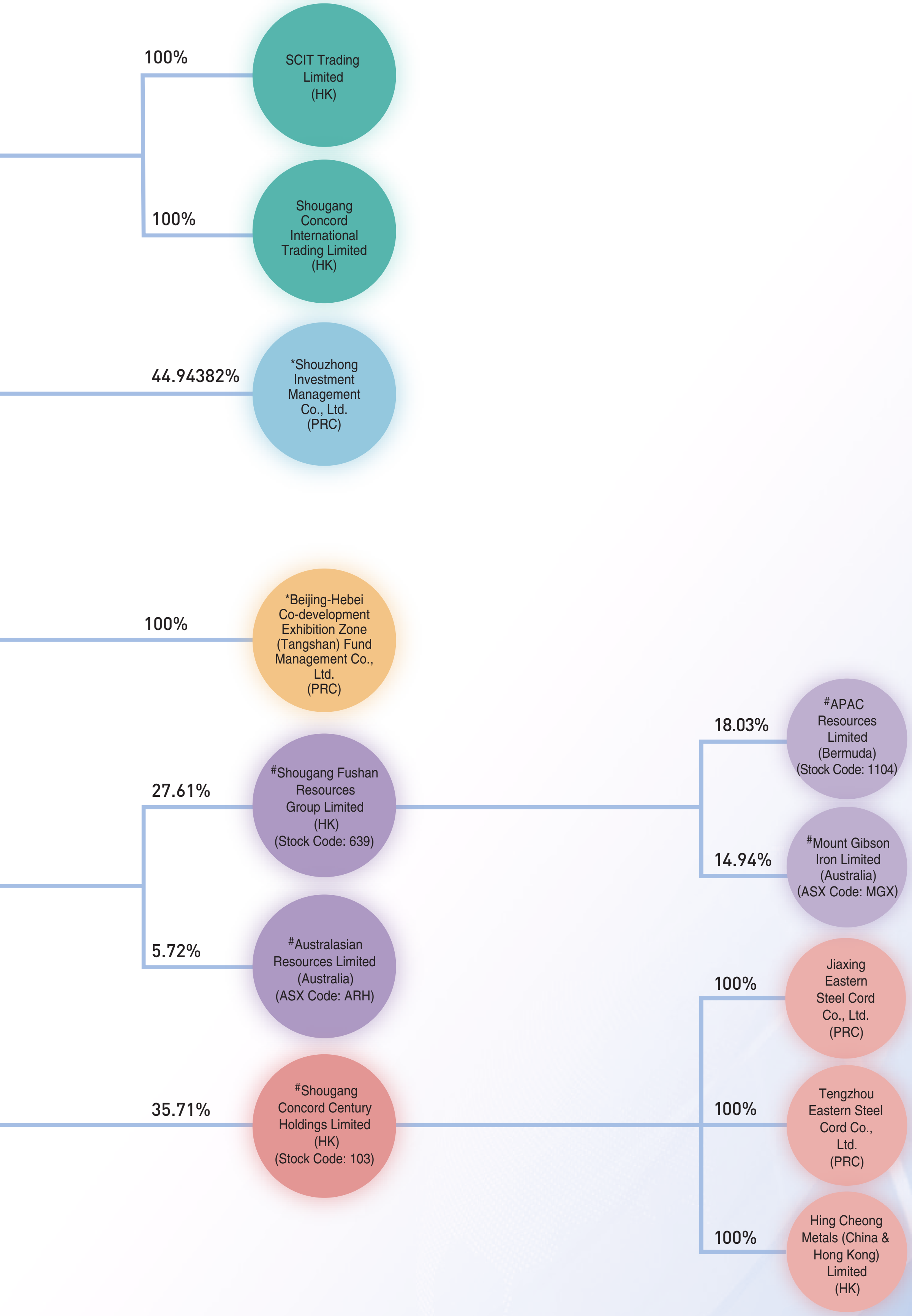


MAIN OPERATIONAL STRUCTURE

AS AT 31 DECEMBER 2017

Note:

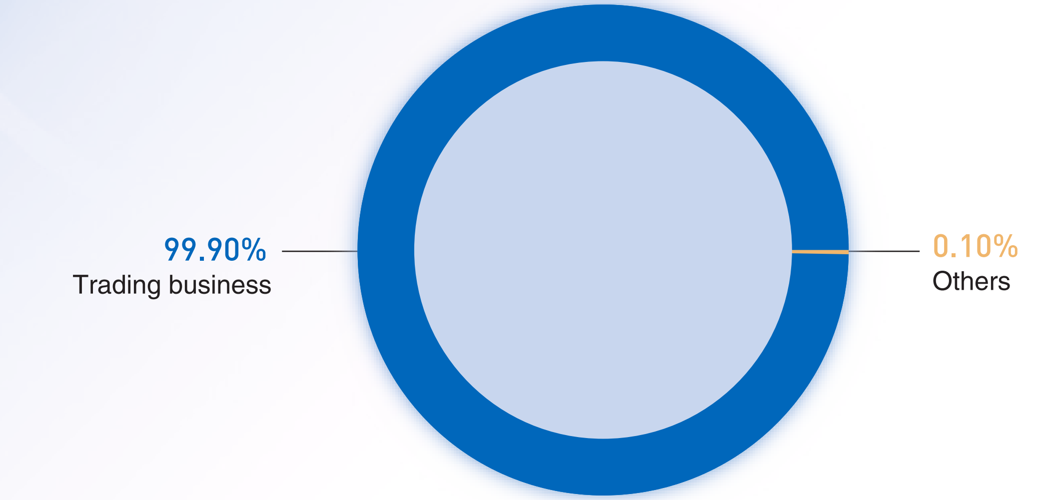
- # Listed company
- * Translated names, for identification purpose only



FINANCIAL HIGHLIGHTS

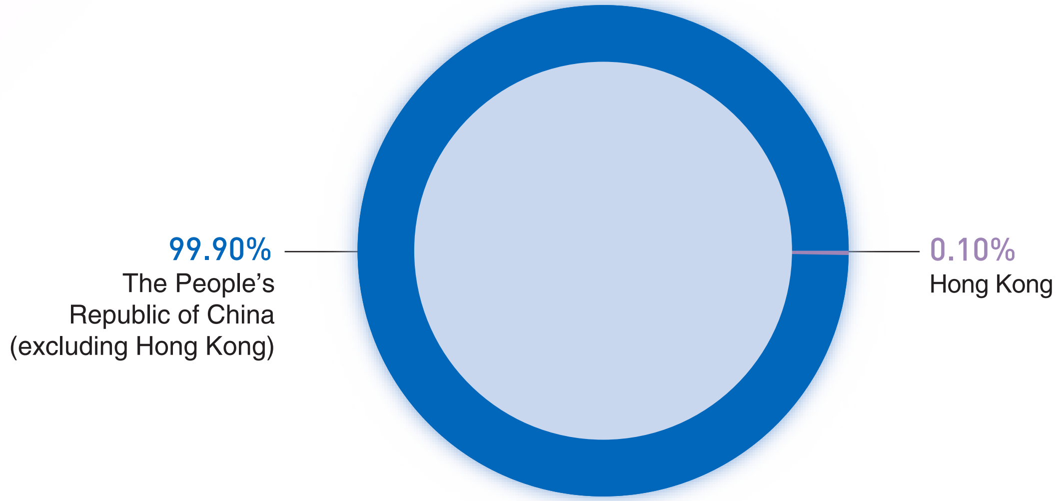
TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2017

Continuing operations



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2017

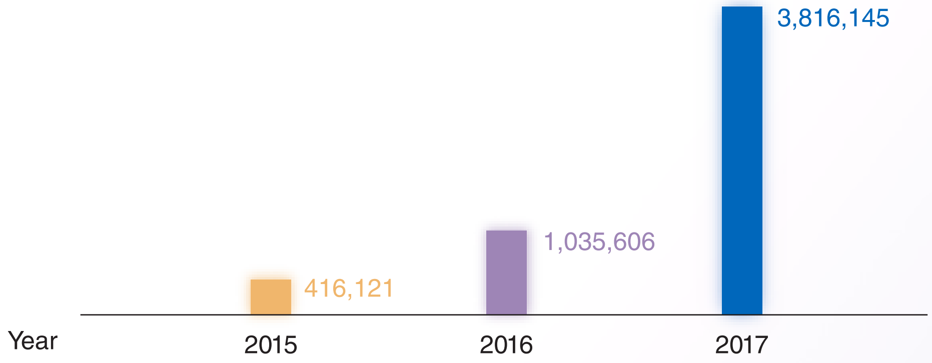
Continuing operations



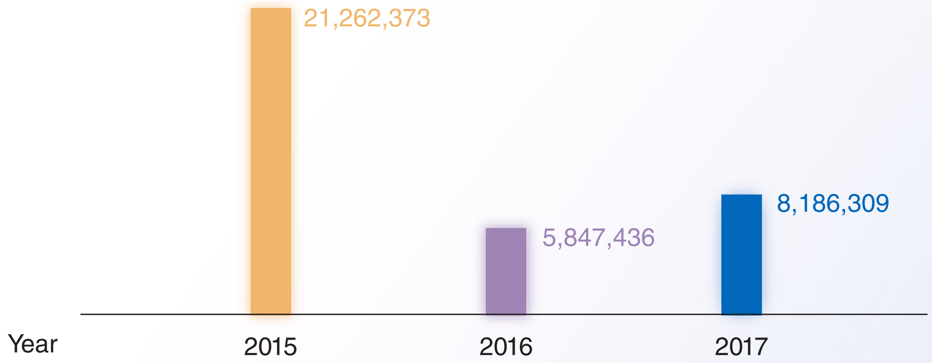
FINANCIAL HIGHLIGHTS

TURNOVER (in HK$'000)

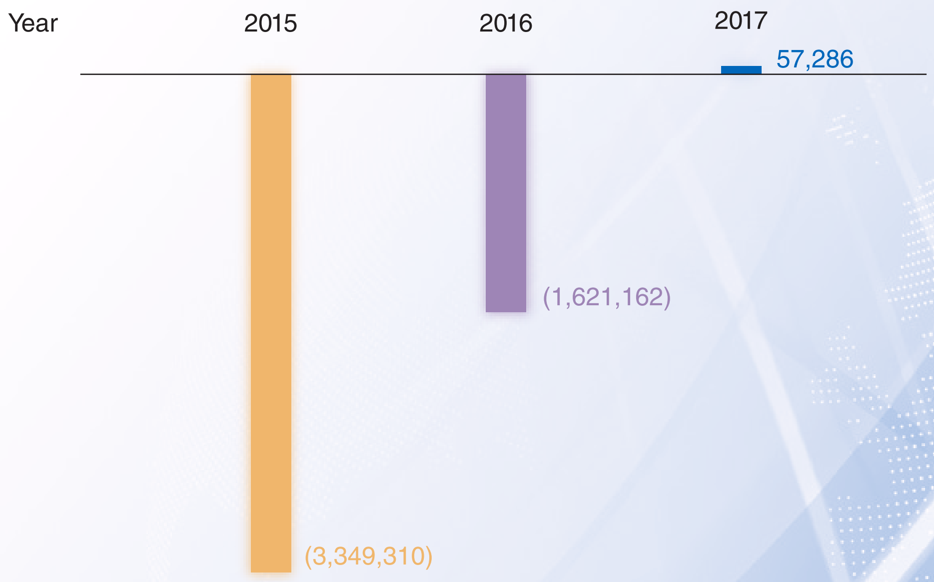
Continuing operations



TOTAL ASSETS (in HK$'000)



PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY (in HK$'000)



CHAIRMAN'S STATEMENT

LETTER TO SHAREHOLDERS FROM CHAIRMAN OF THE BOARD

This letter is also addressed to the Company's potential investors, employees, customers and friends.

I have been paying attention to and providing support to Shougang Concord International Enterprises Company Limited (hereinafter referred to as "Shougang Concord International" or the "Company") since 2017, before assuming the office of Chairman of the Board of Directors of the Company on 6 January 2018 (the seventh chairman after the holding by 首鋼集團有限公司 (Shougang Group Co., Ltd.) (hereinafter referred to as "Shougang Group") as recommended by Shougang Group and as elected by the Board of Directors.

Founded in 1919, Shougang Group is a comprehensive enterprise group with cross-industry, cross-regional, cross-ownership and multinational operations, with total assets of approximately HK$600 billion (unless otherwise specified, the unit of currency in this letter is in Hong Kong dollars). As a century-old business, Shougang Group has accumulated rich history and cultural heritage, bearing the memories of the industrial development of the People's Republic of China, and has always been a banner of the industrial enterprise reform of China. Today, Shougang Group is brave to innovate and steadily reform. It is building a new capital operation platform to realise the synergetic development of the two leading industries of steel and urban integrated services, and will provide strong support for the development of Shougang Concord International.

Looking back into history, Shougang Concord International has been the flagship listed company of Shougang Group in Hong Kong since the acquisition of Shougang Concord International by Shougang Group and Cheung Kong Holdings in 1992, shouldering the keen expectations of Shougang Group. During the past 26 years, with the support of various investors, its highest market value exceeded 28.8 billion, and the annual profit once exceeded 1.4 billion. It can be said that the history of Shougang Concord International has been sealed with clear mark of the times featuring both aggressiveness and regret.

Today, Shougang Concord International will once again assume the mission of the times and strive to be an outstanding representative of the urban integrated services sector among listed companies in Hong Kong. It is committed to becoming a listed company that spans economic cycles, with robust cash flow as well as stable and healthy operations; and being dedicated to creating maximum value for shareholders; rewarding investors with substantial profits; being committed to bringing benefits to employees, and ensuring that they are free from worries about their lives as they make contribution to the Company. Today, everything has begun.

In this year's report, I am not going to give a brief description of the performance of this year, nor do I want to elaborate too much on the re-positioning of the Company. I will systematically report to the shareholders from four parts on how to re-plan and realise the vision of the Company.

CHAIRMAN'S STATEMENT

Part I Revival of the Company

I will give in-depth analysis on the current situation of the Company and clear demonstration of the Company's 3D images at this point on 31 December 2017 (unless otherwise stated, the data set out in this letter is based on this point of time).

I. As shown by the result of careful calculation, the net assets were slightly higher than the market value, and we have seen preliminary optimization of the structure of assets

In order to present the composition of the Company's assets in a more concise and clearer way, I am going to present the following table:

Unit: million

Composition of net assets	Carrying value
Cash and bank deposits held in the area of Hong Kong	1,230
Shougang Resources (Listed)	4,634 (including goodwill of 1,048)
Shougang Century (Listed)	439
Shouzhong Investment	240 (including goodwill of 44)
Jingji Capital	287 (including goodwill of 54)
Mt. Gibson offtake contracts	132
Others	63
Total net assets	**7,025**

Our audited net assets were 7.025 billion, and the latest market value as of 28 March 2018 was 4.13 billion. From this perspective, the price-to-book ratio was only approximately 0.59 times. I would like to analyse the net assets of the Company with a more rigorous attitude and a more discerning eye, which covers Shougang Fushan Resources Group Limited ("Shougang Resources"), 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.) ("Shouzhong Investment") and the goodwill arising from 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"), and also covers the fact that the carrying value of the shareholding in associates is higher than the market value by 2.445 billion. After deducting these two items, the remaining net assets are 4.482 billion, and our price-to-book ratio is 0.92 times.

Part I Revival of the Company (continued)

I. **As shown by the result of careful calculation, the net assets were slightly higher than the market value, and we have seen preliminary optimization of the structure of assets** (continued)

Reasons for the formation of the current structure of our net assets are as follows:

(I) Stripping of loss-making assets with the support of Shougang Group, our major shareholder. At the end of 2016, the Company sold the Qinhuangdao business with a total debt of approximately 19.05 billion (net assets of negative 4.848 billion) to a wholly-owned subsidiary of Shougang Group at the consideration of 1 dollar. The gearing ratio dropped drastically from 115% to 19.5% and the financial position returned to a healthy level. In this process, the major shareholder, Shougang Group, adopted the attitude of being accountable to all shareholders, and made the utmost efforts at the time of our crisis and supported the transformation and development of Shougang Concord International.

(II) The equity in Shougang Resources and Shougang Concord Century Holdings Limited ("Shougang Century") (both are our associates) account for a relatively large proportion in our net assets. In the past, the steel business was our main business. In order to extend to cover the upstream industry of steel business, we have been gradually acquiring the shares in Shougang Resources since 2009. We currently hold 27.61% of the shares in Shougang Resources. This investment accounts for the largest share of the Company's net assets, with a carrying value of 4.634 billion (including goodwill of 1.048 billion). Although the market value of the share in Shougang Resources held by us is 2.459 billion, which is lower than its carrying value, Shougang Resources has a sound financial position with low level of liabilities and a cash reserve of approximately 5 billion. We believe that when there are suitable investment opportunities, such sufficient cash reserves will fuel the enhance of value of Shougang Resources. Meanwhile, sufficient cash reserves also enabled Shougang Resources to maintain a higher dividend payout ratio. The dividend payout ratio for the period of over a decade was 78.73%. We have received approximately 1.76 billion from the payment of dividends by Shougang Resources dividends.

We hold 35.71% equity interest in Shougang Century with a carrying value of 439 million and the market value of the shares held by us reaches 169 million. Shougang Century is principally engaged in the production and sales of steel cords and sawing wires for automotive tires. At present, it has two steel cords production bases with a designed annual production capacity of 200,000 tonnes. Due to the cyclical features of the industry, high financial costs, significant depreciation and amortization, as well as the relatively large room for improvement in cash flow management, Shougang Century has been recording loss over the past few years. Given such situation, on 30 January, the board of directors of Shougang Century adjusted the management team. It is believed that Shougang Century will be able to come out of the predicament under the stewardship of the new management team and deliver excellent performance for its shareholders. We will continue to monitor the key financial indicators.

Part I Revival of the Company (continued)

I. As shown by the result of careful calculation, the net assets were slightly higher than the market value, and we have seen preliminary optimization of the structure of assets (continued)

(III) Injecting new main business assets. In December 2017, the Company successfully acquired the control over Jingji Capital and Shouzhong Investment, and expanded their business to domestic private equity fund management and parking facility investment and operations. The audited total assets of Jingji Capital of 2017 amounted to 270 million. The audited total assets of Shouzhong Investment of 2017 was 468 million.

(IV) Good cash reserves. In November 2017, a one-for-one rights issue was completed, with a net amount of fund-raising of approximately 2 billion. In addition, the Company can also utilise funds available for investment under the management of its subsidiary Jingji Capital, in the amount of 12 billion. These cash available is an important guarantee for the industrial transformation and development.

II. Turning around from making a loss to making a profit, the sources of income are scattered, and profitability is insufficient

In 2017, the Company turned around from making a loss to making a profit, from the huge loss recorded over the last five years consecutively to a profit of 57.29 million. Set out below is the detailed analysis on the main reasons behind this change:

(I) Profits are dependent on Shougang Resources, mainly benefiting from the improvement in coal prices

The profit for the year 2017 mainly came from Shougang Resources. Shougang Resources sold approximately 932,000 tons of raw coal and 2,073,000 tons of clean coal this year, and the comprehensive turnover amounted to 3.472 billion, representing an increase of 91.8% over the same period of last year. The price of raw coal per ton before tax was RMB585, while the price of clean coal was RMB1,185, up by 72.1% and 80.4% over the same period of last year respectively. Affected by the increase in coal prices, the profit attributable to shareholders of Shougang Resources soared to 1,081 million, which contributed 273 million to the profit of the Company. Shougang Resources will distribute profits based on the percentage of 66%, and the Company will receive a cash dividend of 200 million.

Part I Revival of the Company (continued)

II. Turning around from making a loss to making a profit, the sources of income are scattered, and profitability is insufficient (continued)

(II) Surge of turnover of ore trading and decline in profit margins

The iron ore trading contributed a turnover of 3.8 billion, representing an increase of 269.4% over the same period of last year. However, the surge in trading volume did not translate into substantial profits. The gross profit was only 5.29 million, and the gross profit margin was far below the level of the same period of last year. The drop in gross profit rate was attributable to natural disasters inflicting the Koolan Island mine in Australia, which caused the offtake agreement with Gibson could not be implemented for the time being; on the other hand, it was also attributable to the Company's inability to obtain the best resources in the market, as well as the insufficient internal management. After deducting administrative expenses, the trading business just maintained a breakeven level.

In addition, based on prudent principles, we have made provision for the loss arising from the trading offtake agreement and made a provision of 25.25 million in respect of accounts receivable of more than 9 months. This led to an increase in trade losses to 99 million. The management team and business directors of the Company are fully engaged in recovering accounts receivable and believe that there will be positive results in 2018.

(III) The new main business is ready to take off

The settlement of the investment in and operation of parking facilities of the subsidiary Shouzhong Investment and the fund management business of the subsidiary Jingji Capital were completed in December 2017. Therefore, its balance sheet has been incorporated into that of Shougang Concord International. We are also clearly aware that the investment in and operation of parking facilities and fund management business are still in the early stage of development and will not improve the Company's revenue and profit structure immediately. The operation rights of the parking spaces currently owned by Shouzhong Investment can bring approximately 200 million in revenue each year; the funds currently managed by Jingji Capital continue to generate stable income of 60 million each year. Due to the characteristics of the industry, the new main business is of relatively high profit margin. The scale of the parking and fund management can accumulate profits for the Company quickly when they expand rapidly.

CHAIRMAN'S STATEMENT

Part II Transformation and Development

After the spin-off of steel business assets in December 2016, we have been looking for suitable mergers and acquisitions targets for the transformation of our main business. Appropriate mergers and acquisitions targets should meet the following three criteria: (1) cross-cycle cash flow; (2) reasonable price and good dividend pay-out under a stable state; (3) operating in a market with large enough scale and continuous and healthy growth. Our new business acquisition in 2017 strictly followed the above principles. With the support of shareholders, we also completed a fund-raising through the public offer of new shares in the amount of 2 billion and reserved sufficient funds for the development of our new main business.

At present, we are actively developing new acquisitions, making it an important cornerstone of performance. The management expects that in 2018, the number of car parking spaces under the management of the Company will reach 50,000, and the scale of the fund under management will exceed 20 billion, and the profit structure will experience major changes. We are aiming that the profits contributed by the parking and fund management businesses can exceed the profits contributed by the joint venture company. Looking ahead into 2020, the revenue from car parking business will exceed 2 billion. I know that it is not easy to achieve such goals, but I am also confident that with the joint efforts of the operating team and all staff, we will embrace the dawning light and the bright future for the exploration of new business.

In the following paragraphs, I will report to you the implementation path of the Company's strategy of development:

I. Promote the investment in and operation of parking facilities in a comprehensive manner

Currently, "difficulties and chaos in parking" is one of the pain points in the administration of large and medium-sized cities across China. Therefore, it is generally perceived that the outlook for the parking industry is optimistic. According to statistics, the number of cars in Beijing is 5.48 million, while the total number of parking spaces as recorded in the registration system is 1.93 million, which means there is one parking space for 2.84 vehicles on average; the number of cars in Shanghai is 3.22 million, while the total number of parking spaces as recorded in the registration system is 0.6 million, which means there is one parking space for 5.37 vehicles on average. Shenzhen has 3.24 million car ownership, while the total number of parking spaces as recorded in the registration system is 1.11 million, which means there is one parking space for 2.92 vehicles on average[1]. In contrast, during the same period, the number of parking space for each vehicle in Paris and Hong Kong was 0.74 and 0.93. Given the situation, we can see a huge gap between the demand for and the actual number of parking spaces, a situation exists not only in the first-tier cities.

1 Whitepaper in respect of the Development of Car Parking Industry 2016

Part II Transformation and Development (continued)

I. Promote the investment in and operation of parking facilities in a comprehensive manner (continued)

We will make great efforts in developing the investment in and operation of parking facilities, adhere 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. The number of parking spaces actually managed or acquired reached 9,634, which include: the parking lot of the Beijing New Airport, the P1 parking building of the Shanghai Hongqiao Airport, the parking building of the Beijing China-Japan Friendship Hospital, and the public service parking lot within the Chengdu Hi-tech Zone.

Since 2015, facilitated by various favourable policies related to parking, we have been taking the lead in China in putting forward the concept of parking complex products. After more than two years of practice, we have accumulated rich experience in planning and design, investment and financing, construction, as well as operation and management. The Company's parking complex products can increase the vehicle-receiving rate by more than 5 times as compared with ground parking lots. In addition to making full use of "corner areas" and "sandwich lands" in the cities to maximizing the value of land, such products are also featured by low difficulty in development, short construction period and low operation costs. Under ideal conditions, the construction can be completed within 6 months.

We will actively promote the model of parking complex, meet the needs for parking and related services by providing packaged offerings, and increase the space of value throughout the industrial chain; actively embrace the development trend of the Internet, and establish a smart parking ecosystem comprising parking space reservation, parking space sharing, parking space navigation, electronic payment, as well as online and offline interactions, as part of our efforts to achieving "smart parking, better life". Various initiatives, such as the transformation of parking facilities into smart facilities, optimization of efficiency of operation and service, placement of charging piles and convenience service, dynamic pricing mechanism based on urban air quality, are put in place to improve the static traffic operation efficiency of the city and improve user experience, build the green ecosystem of "human • vehicle • life", and bring better urban living experience. In several regions in Beijing, we launched a "mobile Internet sharing parking" product jointly with local government authorities, which effectively improved regional transportation and the environment and improved the quality of life of local people.

Part II Transformation and Development (continued)

I. Promote the investment in and operation of parking facilities in a comprehensive manner (continued)

The Company will also continue to pay attention to overseas high-quality parking operators and manufacturing companies, actively seek merger and acquisition investment opportunities, and expand the parking market. During the past year, the Company's overseas team continued to contact potential targets in North America and Western Europe. Currently, the target for a certain target has already entered the stage of price negotiation with the seller. If the price is low and falls within the acquisition range, we will submit a proposal to the general meeting for approval. Otherwise, the negotiation in respect of the target will be terminated within the year. Overseas mergers and acquisitions will bring opportunities for leapfrog development, but we are also aware that overseas mergers and acquisitions are usually accompanied by considerable risks. Regardless of whether the acquisition is successful or not, the concepts and experiences learned from overseas outstanding peer companies during the period can be applied to the expansion of domestic market, and enrich our experience for the continued search for other acquisition targets which is capable of creating value for our shareholders.

We always maintain an open mind and actively seek opportunities for cooperation with outstanding parking operators and Internet companies engaging in the industry across the country, with a view to achieving common development as well as mutual benefits and win-win results. Acceptable options include joint acquisition of projects, joint investment and in-depth equity cooperation. The rule of winner-take-all is not applicable to the industry of investment in and operation of parking facilities. It is expected that within the coming five years, we will see the emergence of more than 5 outstanding companies with innovative model, leading scale and sustainable development, which are capable of provide our customers with quality services that far exceed today. We also believe that China's top 5 companies will entered the world's top ten list. According to the standards of the world's top 10 companies in parking industry, the income will reach 10 billion at the least.

II. Our fund management business delivered long-term and stable income and achieved beneficial interaction with other businesses

The strength and source of fund management comes from the support of investors. There are 14 funds under the actual management of the Company, establishing a fund size of over 18 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, etc.

Part II Transformation and Development (continued)

II. Our fund management business delivered long-term and stable income and achieved beneficial interaction with other businesses (continued)

The focus of our investment will be placed on parking facilities, and will also involve the renovation of various facilities, such as old parks and hospitals. With respect to car parking operations, in addition to its profit-making function, the funds managed by the Company also supported the development of the car parking business in an effective manner. Therefore, it is a distinctive and competitive business model. In the area of renovation of old parks, at the current stage, the funds managed by the Company mainly focus on serving the development of the "new Shougang high-end industry comprehensive service zone". Located at the westernmost point along Chang'an Avenue and covering an area of 8.63 square kilometres, this is an area with large-scale and joint development, which is quite scarce in the urban area of Beijing. The area has become a new landmark for urban renewal, and will also serve as a model for the development of cities hosting the Olympic Games, as well as the model of reuse of world heritages and revival of industrial zones. We have formed strategic cooperative relationship with Tishman Speyer and CIMC Group on the development of parks and have been actively exploring the feasibility of setting up a park development fund.

In addition, we have been a participant in various premium equity investment projects. Last year, we launched a special fund to invest in WuXi AppTec Co., Ltd., which is a giant among domestic pharmaceutical R&D contract research organization (CRO), ranking No.11 in the world, and had submitted a listing application to the China Securities Regulatory Commission on 4 July 2017. It is expected that we will secure generous alpha returns if it is successfully listed.

We make persistent efforts in creating long-term and stable income for fund investors. Although the fund management fee rate is lower than the industry level, which reduces the Company's revenue in the short term, we pay more attention to higher returns during the fund exit period. Such a strategy is not only beneficial to the long-term development of the Company, but also more beneficial to fund investors.

III. Reduce the scale of ore trade and maintain stable profits

After the injection of new businesses and based on the status quo of the ore trading business, we decided to strictly control the risk of ore trading, gradually reduce the revenue from ore trading as well as the volume of ore transactions. As part of our plan, in 2018, we will control the turnover of ore trading and within a reasonable range and enhance the gross profit margin of ore trading.

Part II Transformation and Development (continued)

IV. Introducing strategic investors

On 19 December 2017, Shougang Fund acquired approximately 1.79 billion shares in the Company, representing approximately 9.45% of the share capital of the Company; on 26 March 2018, the Company successfully completed the offering of approximately 1.05 billion new shares to CIMC Group, which currently holds approximately 5.53% of the share capital of the Company;

The introduction of strategic shareholders will greatly help the Company's business development, improvement of governance, and optimization of risk management. In the coming period, along with the rapid expansion of business and the enhancement of profitability, we will also expand the share capital to a certain extent and introduce strategic investors. After the business is in a state of balance, we will strictly control the expansion of capital stock, and actively enhance the value, gains of operation and dividend payout rate of the Company. We do not rule out the reduction of share capital through share buybacks.

We will strive to create greater value for all of our shareholders.

Part III Team Members

Team building is crucial to the development of the Company and is the guarantee for delivering performance and creating value.

Previously I worked in Beijing Municipal Development and Reform Commission and China Securities Regulatory Commission. In February 2011, I joined Shougang Group and participated in the founding of 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.) and its predecessor, 北京京西創業投資基金管理有限公司 (Beijing West Fund Management Co., Ltd.). Over the past seven years, with the team's efforts, the size of Shougang Fund has increased from RMB1 billion to RMB48 billion. In early 2017, I was appointed by Shougang Group to engage in relevant work of the companies listed in Hong Kong and have been serving as the Chairman of the Board of Directors of Shougang Concord International since January 2018.

Mr. Li Shaofeng, currently serving as the vice chairman of the board of directors of the Company. He has been involved in the Hong Kong capital market for nearly 20 years and has experienced almost the entire process of the development of a number of listed companies in Hong Kong and has an affectionate attitude towards the "Shougang Concord Family". He made great efforts during the transformation phase of Shougang Concord International's main business. He also serves as the Managing Director of Shougang Resources. He has extensive experience in capital operations and his professional advice is particularly important to me.

Part III Team Members (continued)

Mr. Liang Hengyi currently serves as the managing director of the Company. He also participated in the founding of the Shougang Fund and worked with me for many years. He has extensive experience in infrastructure and has strong ability for exploring opportunities. Previously he led the investment in a number of rail transit projects including Line 4 of the Beijing Metro. In terms of the parking industry and fund management, his outstanding management performance has been verified repeatedly. Among the two subsidiaries of the Company's mergers and acquisitions this year, Jingji Capital was founded by him and he served as the Chairman, and also served as the president of Shouzhong Investment. He holds a doctoral degree in management and is a postdoctoral fellow in industrial economics. He is good at thinking deeply and understands the basic laws and transforms them into swift actions. It is believed that under his leadership, the business of the Company will grow in a robust and rapid manner.

Mr. Shu Hong has been a deputy managing director of the Company for a long time. He has extensive market experience in the field of trading. He has been in charge of the Company's trading business after he joined the Company. During the tough times of the Company, he demonstrated his loyalty to the Company and led the team in the development of the trading business despite various difficulties. During the transformation phase, he was also able to consider the overall situation, adjust the scale of revenue from the business, handle the issues left over by the previous development, and seek new development paths for the trading business.

Mr. Li Chensong, currently serving as the deputy general manager of the Company, is responsible for the merger and acquisition business. Prior to joining the Company, he was responsible for overseas mergers and acquisitions for Shougang Fund. He was involved in several cross-border acquisition projects in respect of car parking lots over the past year. He studied the impact of car parking on smart transportation and people's lives in Paris and New York, and has profound and unique insight into the investment and acquisition in the fields of car parking and related fields. As a person being always motivated by enthusiasm and professionalism, he has led and invested in a number of companies that have significant influence home and abroad.

Mr. Ji Weizheng, currently serving as the assistant to the general manager of the Company, is responsible for the operation of the Company's market development division. He is a smart and hardworking person with good personality, and has extensive experience in business development. With his excellent performance in the expansion of market, he is the ideal person to fulfill his mission entrusted by our customers. In view of the huge pressure of the task for regional market expansion, only people with strong mentality can do it well.

Part III Team Members (continued)

Ms. Li Na, currently serving as the assistant to the general manager of the Company, is responsible for the operation of the operating system division of the Company. She has nearly 10 years of experience in the car parking industry and can always create conditions to accomplish the mission of the Company. It is also based on her innovation produced by a team under her stewardship many years ago that the Company sees huge opportunity in the car parking industry. In the future, system operation will become a crucial factor as the number of parking lots increases. She is meticulous and focuses on promoting the Company's efficiency enhancement, customer experience improvement and better car parking services.

Mr. Xu Ke, currently serving as the assistant to the general manager of the Company, is responsible for the operation of the structural finance department of the Company. He has been working for large financial institutions for many years, has established relationships with many large and medium-sized financial institutions, and is skilled in the construction of various financing structures. It is expected that his engagement will greatly increase the efficiency of utilization of our capital.

Mr. Zhang Jun is the standing deputy general manager of Shouzhong Investment, assisting Mr. Liang Hengyi to carry out related work in the car parking sector. He has worked in government departments for many years, and has extensive experience and good social relations. After joining Shouzhong Investment, he demonstrated calm and reliable personality when being involved in organization construction, vitality in market development and stringent and caring style in employee management. It is believed that Shouzhong Investment can contribute increasing cash and profits to the Company.

Ms. Jia Tingting currently serves as the standing deputy general manager of Jingji Capital. She also participated in the founding of Shougang Fund and was the first employee of Shougang Fund. She has extensive experience and good performance in fund-raising and management. She is also committed to post-investment services. Through her efforts and the efforts of her team, they continuously delivered outstanding performance for investors. As a mother of two children, her professionalism is also very admirable.

Part III Team Members (continued)

The Company invited Ms. Lin Yan, Mr. Meng Ziyang and Ms. Leung Yuen Chee Sara to take charge of the Company's key positions in the supporting lines. Ms. Lin Yan serves as the head of the finance department. She has been working in internationally renowned accounting firms for many years and was familiar with accounting standards in both the Mainland and Hong Kong. These, coupled with her rigorous attitude and expertise, high-level capabilities in financial management, make her a talent with great potential; Mr. Meng Ziyang serves as director of office of the board of directors and director of risk management. Mr. Meng had previously worked in well-known domestic law firms for many years. He will assist me to carry out the work related to the capital operation of the Company, and set up a dedicated team to go deep into the front line to carry out active risk management, with the aim of ensuring the maximum protection of the interests of shareholders; Ms. Leung Yuen Chee Sara will serve as the Company Secretary with effect from 29 March 2018. As a cheerful, modest, frank and dedicated person, she had previously worked in this field for more than 20 years and she will be dedicated to improve the corporate governance of the Company.

Currently the Company has a total of 182 employees. I will not give detailed introduction to each of them due to the limitation of word count of this report. In the annual reports for each of the coming years, I will introduce 3 to 5 front-line staff to you.

Under the appointment of all the shareholders of the Company, the team has the opportunity to work for the Company. Only by doing all our best and walking the talk can we deliver maximum return of the shareholders and create the maximum value of the team. Innovation is a bottom-up process, and the Company's vitality comes from the creation of the team. We also have an obligation to provide employees with good protection and growth. Here, I also invite outstanding talents from various fields to join the Company.

Part IV Challenges Our Business Facing

There will inevitably be some challenges in the process of development, and we need to prepare well in advance to respond to future challenges:

I. The pace of development of car parking business being too slow or too fast

Despite being profitable in nature of car parking business, currently the car parking business in Mainland China still stays more at the initial stage of segmented charges and labor output. The industry concentration is very low, as demonstrated by the fact that there are more than 3,000 car parking management companies in Beijing alone. There is no precedent for operation of scale. Under such a complex and volatile scenario, the biggest challenge lies in finding a way to get out of the "fragmented" market.

The next five years will be an important opportunity period for the car parking industry. As the industry concentration continues to increase, if we cannot achieve rapid growth and increase our market shares, we will not be able to continue to establish a foothold in the industry. Therefore, it is necessary to ensure that we achieve an annual growth rate of over 100% in the number of operating rights in respect of parking lots, further relying on the continuous "evolution" of business models and profit models, with a view to building our own moat and to surviving in the "jungle".

Part IV Challenges Our Business Facing (continued)

I. The pace of development of car parking business being too slow or too fast (continued)

On the contrary, when we are offered the opportunity but only pursue scale and short-term benefits, and follow the approach of blind expansion, blind investment and do not control the pace of development of the business; the efforts in expansion of resources being much more than those being put in product design, ignoring the needs of customers and not taking measures to improve the efficiency of operations, the enterprise will inevitably be a "bloated" one and will eventually be eliminated from the market mercilessly.

The source of the Company's development comes from the polishing of products and the service provided to our customers. Therefore, we need to verify product attributes in a timely manner in business practices, continue to conduct research on customer service and courageously resolve the problems and deficiencies commonly found in the industry, with the aim of becoming the leaders in all aspects within the industry.

II. Wrong judgement on macro situations

We are focusing on car parking facilities operations and fund management. Our basic judgment is that there is a considerable bubble in the prices of real estate and other major assets in Mainland China. The return on investment continues to decline and the dividend payout ratio is relatively low. Instead of simply predicting the future based on the past and thinking that the assets following a rising trend in the past will continue to rise, we should turn our focus to "sustainability". In terms of the car parking industry, the return on investment, dividend payout ratio and sustainability are within a healthy range. If our judgment is correct, with the support of the Company's existing resources and teams, we have the opportunity to create an excellent company in this segment. However, if we make a mistake in our judgement, and the prices of major assets such as real estate continue to rise, then the car parking facilities cannot be considered as high-yield investment among various investment asset portfolios. Instead, it should be deemed as a stable investment.

As we carried out our car parking business, we have received strong support from governments at all levels, including participating in the establishment of funds and introduction of investment projects. We hope to make more contributions to the upgrading and renewal of cities and the general public in Mainland China. The healthy development of the industry cannot be achieved without the guidance and support of national and territorial policies. Local governments are also faced with pressure from various sources when formulating policies in respect of the car parking industry. We are fully aware that the introduction of market-oriented policies is a medium-to-long-term process, and will not happen overnight.

Part IV Challenges Our Business Facing (continued)

III. Fluctuations in the Performance of Affiliated Listed Companies

The main business of Shougang Resources is in the industry with strong cyclical features. Coal prices are always subject to fluctuation. We are faced with a number of issues, such as how to generate more profits at the high point of coal boom and promote Shougang Resources to make dividend distribution to the Company; how to ensure the improvement in efficiency at the low point of coal boom, so that Shougang Concord International will not be subject to the significant impact arising from the impairment of goodwill. In respect of these issues, we will actively exercise our rights as shareholders and fully communicate with the Board of Directors of Shougang Resources to support them in making constructive decisions which are beneficial to the immediate interests of all shareholders.

Shougang Century is experiencing difficult times. As a significant shareholder, we will support the business development of Shougang Century and will recommend that the Board of Directors of Shougang Century make efforts to maintain positive free cash flow and increase the yield to achieve a better industry average level in 2018, while turning around from making a loss to making a profit and creating profits for shareholders.

ACKNOWLEDGEMENTS

I hereby extend my sincere gratitude to Shougang Group for its strong support. During the transformation process of the Shougang Concord International, as mentioned above, the Group's main leaders and responsible colleagues have devoted their efforts in promoting the development of Shougang Concord International, while Shougang Group has provided tremendous support by "blood transfusion" with funds to the listed company.

We would like to extend our sincere gratitude to our supportive strategic investors who met with us at special point of time and the early stage of transformation and development. We really appreciated their trust and confidence in us and we must not let them down. We would like to extend our sincere gratitude to the management, all employees and their families. It was their unwavering efforts that supported the development of the Company and facilitated the realisation of the glory and dreams of the century-old Shougang.

We also extend our sincere gratitude to all shareholders of Shougang Concord International for their eager expectation. Shougang Concord International has gone through a long and challenging journey over the past years. It is even more difficult for shareholders, whose persistence formed the cornerstone of the confidence of Shougang Concord International.

Finally, I would also like to extend my sincere gratitude to our customers and friends. The road to innovation may appear to be easy but is tough indeed. Without your unwavering support and tolerance and understanding, we would not have the opportunity to demonstrate our capabilities in such a vast space in the new business area.

28 March 2018

Zhao Tianyang

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

After the disposal of the Qinhuangdao business at the end of 2016, the Group ended the running of many years of steel business. During the year, an open offer of 8,957,896,227 shares of the Company was completed by the Group on the basis of one open offer share for every one share to the existing shareholders with a net proceeds of approximately HK$2 billion, and the Group also successfully acquired the equity interest 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") and 首中投資管理有限公司 (Shouzhong Investment Management Co., Ltd.#) ("Shouzhong"). It consolidated the business foundation for the Group by virtue of diversifying its business into private fund management and car park operation in the PRC together with the original trading business of iron ore. At the same time, through investment in two associates listed in Hong Kong, Shougang Fushan Resources Group Limited ("Shougang Resources") and Shougang Concord Century Holdings Limited ("Shougang Century"), the businesses of the Group include exploration and sales of hard coking coal and manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in China.

The Group witnessed the encouraging performance in the first annual results right after the disposal of steel business, which switched from substantial loss for many years to the profit of HK$57 million for the year. The significant improvement in performance was mainly due to the off-loading of substantial loss for steel business in the past. In addition, the performance of the major associate was also outstanding, driving the Group's performance upward.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2017	2016
	HK$ Million	HK$ Million
Results from continuing operations		
Loss attributable to shareholders before share of results of associates	**(192)**	(485)
Share of results of associates	**249**	9
	57	(476)
Results from discontinued operations	**–**	(1,145)
Profit (loss) attributable to shareholders	**57**	(1,621)

For identification purpose only

PERFORMANCE REVIEW (continued)

Key Performance Indicators

	For the year ended 31 December/ As at 31 December	
	2017	2016
	HK$ Million	HK$ Million
Turnover	**3,816**	1,036
Gross profit margin	**0.2%**	4.8%
Profit (loss) attributable to shareholders		
Continuing operations	**57**	(476)
Discontinued operations	**–**	(1,145)
	57	(1,621)
Earnings (loss) per share (HK cent)		
Continuing operations	**0.56**	(5.27)
Discontinued operations	**–**	(12.67)
	0.56	(17.94)
Gross assets	**8,186**	5,847
Net assets attributable to shareholders	**7,025**	4,705
Cash and bank balances	**1,490**	561
Bank loans	**–**	617
Gearing ratio*	**–**	1.2%

The Group's profit attributable to shareholders for the year ended 31 December 2017 was HK$57 million as compared to the loss of HK$1,621 million for the same period last year. The Group's continuing operating business recorded a consolidated turnover of HK$3,816 million, representing an increase of 268.5% over the same period last year. The earnings per share for the period was 0.56 HK cent and the loss per share for the last year was 17.94 HK cents.

* *Gearing ratio is defined as bank loans less cash and bank balances divided by shareholders' funds.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Year ended 31 December 2017 compared to the year ended 31 December 2016

Turnover and Cost of Sales

The Group recorded consolidated turnover from continuing operations of HK$3,816 million for this year, represented an increase of 268.5% when comparing to HK$1,036 million last year. The increase in turnover was mainly due to surge in trading volume of iron ore and the increase in average selling price ("ASP").

Cost of sales from continuing operations for the period was HK$3,807 million, up 286.0% when comparing to HK$986 million last year. Increase in cost of sales was also attributable to the surge in trading volume of iron ore.

Gross profit from continuing operations for the year was HK$9 million. The gross profit ratio was 0.2% in this year, while it was 4.8% in last year. The decrease in gross profit ratio was mainly because there were still inventory of medium grade iron ore provided by Mount Gibson Iron Limited ("Mt. Gibson") for trading purpose under the offtake agreements entered into with Mt. Gibson, and the agreements include rebate on marketing commission for purchase of iron ore from Mt. Gibson in last period. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. Therefore, although the Group devoted much effort in procurement from other suppliers so as to drive the trading volume, the gross profit margin in this period was lower as there were more rebates on marketing commission and the trading of special graded iron ore in last year.

EBITDA

For the year under review, earnings before interest, tax, depreciation, amortization, impairment loss and net losses relating to commodity contracts of the Group for the continuing operations was HK$223 million (2016: HK$26 million).

Finance costs

For the year under review, finance costs for the continuing operations amounted to HK$17 million, 44.0% lower than that of last year. The decrease in finance costs was mainly due to the decrease in the overall loan amounts of the Group.

Share of results of associates

In this year, we have shared a profit of HK$273 million from Shougang Resources and shared a loss of HK$24 million from Shougang Century, whereas for the last year, the share of profit from Shougang Resources and Shougang Century were HK$5 million and HK$4 million respectively.

FINANCIAL REVIEW (continued)

Taxation

There is no tax expense in this year, whereas for the last year, the tax expense was HK$49 million. The tax in last year was mainly due to the under-provision of taxation in previous years.

REVIEW OF OPERATIONS

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

Operation/Entity	Attributable interest	For the year ended 31 December 2017 HK$ Million	2016 HK$ Million
Continuing operations			
1. Trading business	100%	**(99)**	35
Sub-total		**(99)**	35
2. Share of results of associates			
Shougang Resources	27.61%	**273**	5
Shougang Century	35.71%	**(24)**	4
Sub-total		**249**	9
3. Others			
Fair value loss on iron ore offtake agreements with Mt. Gibson	–	**(49)**	(131)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	**–**	(257)
Exchange loss	–	**(8)**	(16)
Corporate and others	–	**(36)**	(116)
Sub-total		**(93)**	(520)
Results from continuing operations		**57**	(476)
Results from discontinued operations		**–**	(1,145)
Profit (loss) attributable to shareholders		**57**	(1,621)

REVIEW OF OPERATIONS (continued)

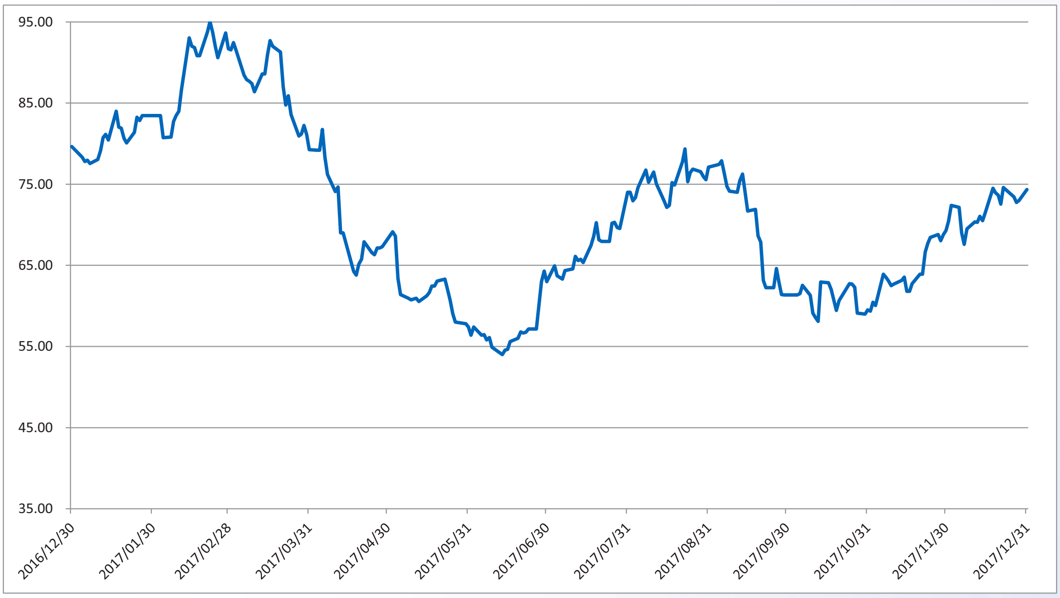
Continuing operations

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. Currently, the steel production of the PRC accounts for approximately 50% of the world's production, which makes the PRC the world's leading steel manufacturer and iron ore consumer. With better quality, imported iron ore helps reducing substantial mining and processing costs for steel manufacturing, therefore, there is strong demand for imported iron ore in the PRC.

Below is the iron ore price movement for the year ended 31 December 2017.

US$/tonne



The trading of iron ore imported by the PRC was facing increasing difficulties. Based on actual conditions, the Group adjusted its business mode and started to adopt hedging tools such as iron ore futures/swap to reduce the operational risks of its trading business.

REVIEW OF OPERATIONS (continued)

Continuing operations (continued)

Trading business (continued)

Trading business recorded turnover of HK$3,812 million for the year ended 31 December 2017, representing an increase of 269.4% when comparing to the same period of last year. Ever since 2009, the trading business had mainly involved trading of iron ore pursuant to the offtake agreements entered into with 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. From last year, the Group started to generate more sources of procurement from other suppliers so as to increase the trading volume. During the year, sales volume of approximately 7,375,000 tonnes of iron ore was achieved in trading business, representing a rise of 206.7% when comparing to the same period of last year, and the selling price also ascended 22.9% to US$66.6 per ton. While turnover rose, gross profit margin dropped. The decrease in gross profit margin was due to the sale of the inventories of medium grade iron ore in the same period last year provided by Mt. Gibson under the offtake agreements entered into with Mt. Gibson, and the agreements include rebate on marketing commission for purchase of the iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals at that time. In addition, due to the rapid changes of market, the trading segment has made loss on iron ore commodity trading contract in the amount of HK$73 million and made provision on trade receivables of HK$25 million, thus led to a net loss of HK$99 million for the year, while net profit of HK$35 million was recorded last year.

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 CFR 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. Under the terms of the CFR, supplier needs to arrange shipment of the goods to the destination port of the buyer at the cost of the supplier. The Group is entitled to extend the term of the agreement to a maximum of 12 months. The agreement has been approved by the regulatory bodies in Australia during the year and has officially come into effect after obtaining the approval from the shareholders of Mt. Gibson at the general meeting of Mt. Gibson in April 2017. In December 2017, the Group entered into another offtake agreement in respect of the iron ore purchase from Iron Hill mine, which further optimized the procurement costs for the purchase of iron ore from Iron Hill mine. However, the new agreement is also subject to the passing at the general meeting of Mt. Gibson before it officially comes into effect.

REVIEW OF OPERATIONS (continued)

Continuing operations (continued)

Trading business (continued)

Mt. Gibson has also announced the recovery plan for Koolan Island mine during the year, which states that Mt. Gibson decided to resume the production of Koolan Island mine based on its results of feasibility study and technical assessments on Koolan Island mine. The preliminary results shows that the mine has a reserve of iron ore (66% Fe) of 12,800,000 tonnes and an estimated life of 3.5 years. It is expected that the mine will restart the sales of iron ore at the beginning of 2019. In addition, the potential production of 7,000,000 tonnes for the second phase is still under assessment. Under the offtake agreements, the Group is required to purchase 80% of Koolan Island's annual production. It is expected that Koolan Island mine will contribute more turnover to the Group after resuming production.

Private Fund Management in PRC

On 13 December 2017, the Group completed the acquisition of 95% equity interest in Jingji held by 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.#) ("Shougang Fund"). Furthermore, the Group acquired the remaining 5% equity interest in Jingji before the end of the year, therefore, Jingji became a wholly-owned subsidiary of the Group. The aggregate consideration for the Group's acquisition of Jingji amounted to approximately HK$287 million.

Jingji is principally engaged in the private fund management business in the PRC. By the end of 2017, there are 14 funds managed by Jingji with a total scale of RMB10.5 billion and the fund holders had so far contributed RMB6.2 billion. The scope of fund investment mainly includes infrastructure, new energy and environmental protection. In recent years, the private fund industry has experienced the promising prospects with its on-going rapid growth of fund scale in the PRC. The growing momentum of the private fund market in the PRC will continue to be strong. The Group expects that in the foreseeable future, the management fee income from the provision of private fund management services will achieve sustainable and rapid-growth revenue.

As the fund manager, Jingji Group 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. At the end of 2017, Jingji Group held a basket of interest in the minority stake of funds totaling HK$122 million.

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REVIEW OF OPERATIONS (continued)

Continuing operations (continued)

Car Park Operation in PRC

The Group completed the acquisition of 40% equity interest in Shouzhong held by Shougang Fund on 21 December 2017. Besides, an additional approximately 4.94% equity interest in Shouzhong was acquired by the Group before the end of the year, therefore, the Group holds approximately 44.94% of the aggregate equity interest in Shouzhong. The total consideration for the Group's acquisition of Shouzhong is approximately HK$153 million. Furthermore, RMB71.2 million (HK$85 million) was also contributed to Shouzhong's share capital after the acquisition.

Shouzhong is deemed as a non-wholly-owned subsidiary of the Group due to the control right owned by the Group over the board of Shouzhong. The business of Shouzhong is to manage car park operation in the PRC with a special focus on intelligent car parking. Shouzhong has been actively expanding its business in car park since its establishment. It currently has 8 car park projects in the PRC and operates approximately 5,400 car parking lots in total. In addition, Shouzhong 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#), a joint venture of Shouzhong. 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 has 4,200 parking lots and is expected to be put into operation by the end of 2019.

The PRC is undergoing the rapid urbanisation, leading to a significant improvement in living standards and an ever-increasing demand for auto vehicles. However, the penetration rate of auto vehicles in the PRC is still relatively low compared with that in western countries. Therefore, the automotive industry has huge potential for sustained growth and demand for car park in the PRC is benefited as well.

Shougang Resources

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coking coal mines in Shanxi province, PRC namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine. It sold 932,000 tonnes raw coking coal and 2,073,000 tonnes clean coking coal during the year and its consolidated turnover for the year was HK$3,472 million, an increase of 91.8% over that of last year. The selling price (exclude VAT) of raw coking coal and clean coking coal sold during the year were RMB585 and RMB1,185 respectively, represented increases of 72.1% and 80.4% respectively over the last year. With the significant rebound of coking coal price, profit attributable to shareholders of Shougang Resources in this year was HK$1,081 million while the profit was only HK$112 million in last year. Profit of Shougang Resources attributable to the Group was HK$273 million in this year while it was only HK$5 million in last year.

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REVIEW OF OPERATIONS (continued)

Shougang Resources (continued)

Exploration and sale of coking coal (continued)

The strong financial base of Shougang Resources with close to zero gearing ratio and bank balances of HK$5 billion enable it to maximize 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% associate of the Group listed in Hong Kong whose businesses are manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in Shandong province and Zhejiang province, PRC. The Group's share of its net loss was HK$24 million in this year, comparing to share of profit of HK$4 million in the same period last year.

Further to the non-legally binding memorandum of understanding ("MOU") dated 13 July 2014 and the supplemental MOUs dated 30 June 2015 and 30 June 2016 between Shougang Century and an independent third party in relation to the proposed capital injection into one of the wholly-owned major subsidiaries of Shougang Century, 滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd#) ("TESC") as well as the proposed strategic cooperation between Shougang Century and the independent third party. Upon completion of the proposal, Shougang Century and the independent third party will each own 50% interests in TESC. The proposed capital injection would enhance the capital base of TESC and provide additional financial resources to TESC, which will be utilised to fund the phase II construction of TESC's steel cord production facilities with an annual production capacity of 100,000 tonnes. The completion of the proposal is subject to the fulfilment of certain conditions. According to the relevant MOUs, Shougang Century and the independent third party agreed to extend the completion of formal agreement until 12 July 2018.

CUSTOMERS AND SUPPLIERS

Through years of business cooperation, the Group has established good relationship with customers and suppliers. The ultimate holding company of the controlling shareholder of the Company is Shougang Group Co., Ltd., which together with its subsidiaries, is also the largest supplier. During the year, the purchases made by the Group from Shougang Group Co., Ltd. and its subsidiaries accounted for 14.1% of the total purchase. In addition, the Group entered into iron ore offtake agreements with an Australia-listed iron ore producer Mt. Gibson. Mt. Gibson will supply iron ore to the Group on a long term basis so as to stabilise supply to the Group's trading business.

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MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is mainly engaged in the trading of iron ore, principally focusing on the trading of iron ore imported by the PRC. As a vital raw material for the manufacturing of steel, demand for iron ore depends on the demand for steel in the PRC. Over the years, demand for imported iron ore in the PRC maintains upward trend, but any adverse change will affect the amount of imported iron ore and thereby reducing the Group's trading volume of iron ore. Further, profit from this segment will be decreased, resulting to unsatisfactory performance of the Group.

Besides, under the long-term offtake agreements entered into between the Group and Mt. Gibson, purchase of iron ore includes rebate on marketing commission. However, at late 2014, the seawall outside of Mt. Gibson's Koolan Island mine collapsed and resulted in flooding in the mine, thus the production was suspended at the moment. Mt. Gibson announced its restoration schedule for the Koolan Island mine in April of this year with an estimated restoration of production to occur at the start of 2019. The restoration of Koolan Island mine will bring additional revenue for the trading business of the Group. However, whether Mt. Gibson is able to succeed in restoration of Koolan Island mine will have a direct impact on the revenue from the trading business of the Group.

For the purpose to hedge the purchase and sales price risk of the iron ore trading business, the Group started to adopt iron ore futures/swap instruments, which are derivative financial instruments traded in leveraged way where there is a chance that the actual losses would exceed the margin deposits paid for iron ore futures/swaps, and is accordingly of a high risk profile.

At late 2017, the Group has acquired the private fund management business. In most of the cases, the Group acts as the general partner of funds or partnerships. According to relevant agreements, if the realized amount of the assets of the fund or partnership is insufficient to cover their respective liabilities, the general partner of the fund or partnership shall bear unlimited liabilities of the fund or partnership. In China, it is a customary practice that a general partner to bear unlimited liabilities of the fund or partnership under its management in case of a net deficit position of the fund or partnership.

The Group is also engaged in mining and sale of hard coking coal as well as the manufacture and sale of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in China by holding interests in the two Hong Kong listed associates, Shougang Resources and Shougang Century. As a vital raw material for steel refining, the sale of coking coal of Shougang Resources has close connection with the steel demand. Weak demand on steel will directly dampen the results of Shougang Resources. For Shougang Century, as its business mainly depends on the automobile demand of the PRC, its manufacture and sale of steel cord for radial tyres business will be affected by the drop of demand on automobiles. With significant proportion of investments in these associates, the results of which will to a certain extent affect the overall performance of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

After six rounds of interest hike by the US since late 2015, the pace of interest rate hike may be accelerated. Although the Group has currently repaid all of its bank loans, the interest hike will add extra interest expenses to the Group in case the Group needs to raise funds in the future, and accordingly affect profit of the Group.

Save for the abovementioned risks and uncertainties, the analysis on market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk of the Group are detailed in the note respecting financial instruments to the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Details of the Group's compliance with laws and regulations are disclosed in the environmental, social and governance report on pages 63 to 81 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Group's environmental policy and performance are disclosed in the environmental, social and governance report on pages 63 to 81 of this annual report.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

1. Cash/Bank balances and Loans

The cash and bank balances, loans and financial leverage of the Group as at 31 December 2017 as compared to 31 December 2016 is summarized below:

	As at 31 December 2017 HK$ Million	As at 31 December 2016 HK$ Million
Cash and bank deposits	**1,490**	561
Bank loans	**–**	617
Shareholders' fund	**7,025**	4,705
Gearing ratio	**N/A**	1.2%

As at 31 December 2017, all bank borrowings of the Group had been repaid, therefore the gearing ratio is not applicable.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

2. Price, Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are 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 minimize currency exposure, non-Hong Kong dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2017, almost 100% of the Group's turnover for the continuing operations was denominated in US dollars. Floating rate borrowings are used in the portfolio of the Group's borrowing. The Group also enters into certain interest rate swaps to mitigate interest rate risks if necessary. To cope with the trading situation, the Group started to use iron ore future/swap and foreign exchange forward to hedge for the price risks of the purchase cost and selling price arising from iron ore trading.

At the end of the reporting period, the Group held the iron ore futures contract of the net purchase of 19,800 tonnes of January 2018 with a contract value of US$1,447,410, and the iron ore futures contract of the net sale of 30,000 tonnes of February 2018 with a contract value of US$1,825,250.

3. Financing activities

The Company has no new term loan financing from bank during this year. At the same time, the Group has repaid all the bank loans outstanding before end of the year.

USE OF PROCEEDS FROM OPEN OFFER SHARES

On 16 November 2017, the Company completed an open offer of shares on the basis of one open offer share for every one existing share at HK$0.225 per open offer share. The net proceeds after deducting expenses was approximately HK$2,004,000,000, of which approximately HK$273,000,000 (RMB231,135,000) was used to pay to Shougang Fund for the consideration of the acquisition of 95% equity interest in Jingji, in addition approximately HK$14,000,000 was used for the acquisition of the remaining 5% equity interest in Jingji. The Company also used approximately HK$136,000,000 (RMB115,597,000) to acquire 40% equity interest in Shouzhong from Shougang Fund and used approximately HK$17,000,000 to acquire additional approximately 4.94% equity interest in Shouzhong. Furthermore, approximately HK$85,000,000 (RMB71,200,000) was used for the capital increase in Shouzhong before the end of the year.

As for the bank loans, the Group repaid the bank loans of HK$474,000,000 (US$60,740,000) after the proceeds of open offer was received. In the near future, the Group will contribute RMB34,000,000 and RMB8,800,000 to the share capital of Jingji and Shouzhong respectively as committed.

After the proceeds are used for the above-mentioned purposes, remaining net proceeds of approximately HK$0.95 billion from the open offer will be used to support the future development of Jingji and Shouzhong and iron ore trading business, conduct strategic acquisitions complementary to the businesses of the Group and also for general working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS & DISPOSALS

On 8 September 2017, the Group entered into the agreement with Shougang Fund, pursuant to which, the Group agreed to acquire 95% equity interest in Jingji for RMB231,135,000 (equal to HK$272,565,000) and 40% equity interest in Shouzhong for RMB115,597,000 (equal to HK$136,493,000) held by Shougang Fund. Shougang Fund is a company wholly owned by Shougang Group, the ultimate controlling shareholder of the Company. The acquisition of 95% equity interest in Jingji was completed on 13 December 2017 and the acquisition of 40% equity interest in Shouzhong was completed on 21 December 2017. In addition, on 28 December 2017, the Group acquired the remaining 5% equity interest in Jingji and additional approximately 4.94% equity interest in Shouzhong from independent third parties at the consideration of HK$14,420,000 and HK$16,989,000 respectively.

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

SUBSEQUENT EVENT

On 12 March 2018, the Company and Shouzhong (Hong Kong) Limited ("Shouzhong HK"), a wholly-owned subsidiary of the Company, entered into an agreement with CIMC Transportation Equipment (International) Holdings Limited ("CIMC Transportation") pursuant to which Shouzhong HK will acquire from CIMC Transportation 44.94382% shareholding of Shouzhong for the consideration of RMB209,884,269. An aggregate of 1,047,931,056 shares of the Company at the issue price of HK$0.2475 per share will be issued to CIMC Transportation or its designated person(s) to satisfy the consideration. The consideration shares will represent approximately 5.526% of the total number of issued shares of the Company as enlarged by the issue of the consideration shares. Shouzhong is principally engaged in the business of car park operation in the PRC. Shouzhong was owned as to 44.94382% by the Group at the end of 2017 and was a non-wholly owned subsidiary of the Group. The transaction was completed on 23 March 2018 and 1,047,931,056 shares of the Company was issued to CIMC Transportation on 26 March 2018 at the issue price of HK$0.2475 per share. Shouzhong was then owned as to 89.88764% by the Group.

CAPITAL STRUCTURE

The Company issued 8,957,896,227 new shares during this year.

The issued share capital of the Company was HK$7,349,544,584 (represented by 17,915,792,454 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 182 employees as at 31 December 2017.

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In 2017, the asset price was pushed up amidst generally robust world economy and global low interest rate environment. Till the end of 2017, the US Federal Reserve Board has raised the interest rate for five times since the interest rate hike cycle started at the end of 2015 and expressed the possibility to raise the interest rate for three times in 2018. The rise of interest rate and reduction of balance sheet of US will inevitably bring the uncertain impact to the booming capital market.

After the major reorganisation of the Group at the end of 2016 and upon the disposal of traditional steel business which had been running for many years, the Group acquired the business of private fund management and car park operation in the PRC in 2017. The private fund management business has developed rapidly in the PRC in recent years and created synergistic effects with Shougang Group, which will provide a strong platform for our future growth. The car park facilities investment and operation business in the PRC have a rosy outlook thanks to the strong demand of domestic citizen for automobiles and the requirements of governance on large-scale cities and are also our principal business to expand in the future. It is expected that the car park facilities investment and operation business of the Group will witness an extreme rapid development by targeting the markets, both domestic and overseas. However, the business of trading of iron ore imported by the PRC encountered difficulties in this year as the traditional back to back trading of mainstream minerals was difficult to generate profit to the Group. For this reason, our trading team has utilised tools of iron ore future/swap since this year to hedge the operation risks of trading business. The Group will continue to adjust its trading business model to accommodate the changing market conditions. In April 2017, Mt. Gibson announced its restoration plan of Koolan Island mine and the sale of iron ore is expected to resume in early 2019. Under the offtake agreements entered into between the Group and Mt. Gibson, the Group has committed to take up an amount of 80% of iron ore production of Koolan Island mine, which will increase the turnover for the future trading business of the Group.

Shougang Resources, the main associate of the Group, has performed well in this year . Benefiting from the price upturn of coking coal, Shougang Resources has made favourable profit. The financial base of Shougang Resources is strong with close to zero gearing ratio and substantial cash and bank balances enable the Group to maximise its value when appropriate investment opportunities arise.

The Group has already achieved its target of making turnaround in this year. The Group will be more proactive in seeking projects to expand the existing business, especially the domestic and overseas car park project, with the aim of supporting the rapid development of the Group. The Group would like to express gratitude for the immense support from Shougang Group, the ultimate controlling shareholder of the Company, to assist the Company to navigate such difficult times. Thus, the Company has transited smoothly.

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 2017, except for the following deviations:

– Under the code provision A.1.1 of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.

  It had been scheduled that four board meetings would be held in 2017. During the year, three board meetings were held. A board meeting originally scheduled in December 2017 had been postponed to early January 2018 due to the unavailability of certain directors.

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

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

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

  Mr. Zhang Bingcheng, the then chairman of the Board and the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 26 May 2017 (the "2017 AGM") as he had another business engagement. The Managing Director of the Company took the chair of the 2017 AGM. Other members of the Board including the chairmen of the Audit and Remuneration Committees and all other members of the Audit, Remuneration and Nomination Committees attended the 2017 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2017 AGM were already of sufficient calibre and number for answering questions at the 2017 AGM.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of eleven Directors, being four Executive Directors, three Non-executive Directors and four 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 7 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.

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.

BOARD OF DIRECTORS (continued)

Composition (continued)

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

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 meetings

The Board meets regularly and makes endeavor to hold 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").

BOARD OF DIRECTORS (continued)

Board meetings (continued)

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 close 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 close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2017, the Directors have made active contribution to the affairs of the Group and three 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.

Details of the Directors' attendances in 2017 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng	3/3
Ding Rucai	3/3
Shu Hong	3/3
Non-executive Directors	
Zhang Bingcheng *(Chairman)*	0/3
Leung Shun Sang, Tony	3/3
Independent Non-executive Directors	
Kan Lai Kuen, Alice	3/3
Wong Kun Kim	2/3
Leung Kai Cheung	3/3

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.

BOARD OF DIRECTORS (continued)

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.

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. The Directors who are subject to retirement and re-election at the forthcoming annual general meeting of the Company are set out on page 83 of this annual report.

All Directors (including all Non-executive Directors) have entered into service agreements or 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 four Independent Non-executive Directors and one of them has 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 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/her further appointment should be subject to a separate resolution to be approved by shareholders.

Ms. Zhang Quanling, an Independent Non-executive Director of the Company, will retire and, being eligible, offer herself for re-election at the forthcoming annual general meeting of the Company. 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 Ms. Zhang is independent and the recommendation to shareholders to vote in favor of the re-election of Ms. Zhang as a Director.

BOARD OF DIRECTORS (continued)

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.

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 and the Company is responsible for arranging and funding suitable training for the Directors.

All Directors have provided to the Company their records of training received during the financial year ended 31 December 2017, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Zhang Bingcheng	B	4
Li Shaofeng	B	4
Ding Rucai	A	3
	B	4
Shu Hong	B	4
Leung Shun Sang, Tony	B	4
Kan Lai Kuen, Alice	A	1,2,3
	B	4
Wong Kun Kim	A	3, 4
	B	4
Leung Kai Cheung	A	3
	B	4

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

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. During the year, Mr. Zhang Bingcheng was the Chairman of the Company and Mr. Li Shaofeng served 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.

The responsibilities of the Chairman 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.

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 February 2005 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.

BOARD COMMITTEES (continued)

Executive Committee (continued)

During the year, fifteen physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties and the attendances of the members of the Executive Committee at this meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	1/1
Ding Rucai	1/1
Shu Hong	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, 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 2016..

Audit Committee

An Audit Committee of the Board was established in December 1998 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, risk management and internal control systems; 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.

BOARD COMMITTEES (continued)

Audit Committee (continued)

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.

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
Kan Lai Kuen, Alice *(chairman of the committee)*	2/2
Wong Kun Kim	2/2
Leung Kai Cheung	2/2

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 2016;
- reviewing the interim results of the Group for the six months ended 30 June 2017; and
- reviewing the reports on the risk management and internal control systems of the Group prepared by an independent advisory firm.

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.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in February 2005 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;
- 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.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

During the year, one physical meeting of the Nomination Committee was held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/ eligible to attend
Zhang Bingcheng *(chairman of the committee)*	0/1
Li Shaofeng – as alternate of Mr. Zhang Bingcheng	1/1
Leung Shun Sang, Tony	1/1
Kan Lai Kuen, Alice	1/1
Wong Kun Kim	1/1
Leung Kai Cheung	1/1

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; and

- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting.

Remuneration Committee

A Remuneration Committee of the Board was established in February 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;

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

- 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.

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.

Details of remuneration paid to Directors and senior management for the year are set out in note 11 to the consolidated 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.

COMPANY SECRETARY (continued)

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 are 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.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Group has complied with Principle C.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. A review of the effectiveness of risk management and internal control system has been conducted annually to cover all material controls, including financial, operational and compliance controls. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- *Identification:* Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

- *Evaluation:* Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

- *Management:* Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2017, no significant risk was identified.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- *Control Environment:* A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.

- *Risk Assessment:* A dynamic and iterative process for identifying and analyzing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.

- *Control Activities:* Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.

- *Information and Communication:* Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.

- *Monitoring:* Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Internal Auditors

The Group has outsourced the internal audit work to SHINEWING Risk Services Limited, which is one of the professional internal audit services provider in Hong Kong. The internal audit function carried out the analysis and independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control systems. The internal audit function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An internal audit plan has been reviewed by the Board. According to the established plan, review of the risk management and internal control systems is conducted annually and the results are reviewed by the Audit Committee and reported to the Board.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's review, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the review made by internal audit function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INSIDE INFORMATION DISCLOSURE POLICY

The Company adopted an inside information disclosure policy (the "Inside Information Disclosure Policy") on 21 December 2015 which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy covers the following:

- setting out the processes for identifying, assessing and escalating potential inside information to the Board;

- setting out the responsibilities of officers in preserving the confidentiality of inside information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and

- identifying who are the Company's authorized spokespersons and their responsibilities for communications with stakeholders of the Company.

In addition, the Company has communicated to all relevant staff regarding the implementation of the Inside Information Disclosure Policy.

INSIDE INFORMATION DISCLOSURE POLICY (continued)

The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

The Inside Information Disclosure Policy is posted on the website of the Company.

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 2017.

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, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	HK$'000
Audit services	1,090
Non-audit services:	
Interim review	420
Special review in relation to open offer and acquisitions	300
Tax services	65
Others	121
	1,996

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, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 109 to 115 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-intl.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)

During the year, two general meetings were held. One of the general meetings was the 2017 AGM and the other was the general meeting held on 12 October 2017 (the "GM") for approving the followings:–

1. the agreement dated 8 September 2017 between Jingji (Hong Kong) Limited (a wholly-owned subsidiary of the Company) ("Jingji HK") and Beijing Shougang Fund Co., Ltd.*（北京首鋼基金有限公司）(a wholly-owned subsidiary of Shougang Group Co., Ltd.*（首鋼集團有限公司）) ("Shougang Fund") in respect of the acquisition of 95% of the equity interest in Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*（京冀協同發展示範區（唐山）基金管理有限公司）(the "First Target Company") by Jingji HK from Shougang Fund, and the capital injection to the First Target Company;

2. the agreement dated 8 September 2017 between Shouzhong (Hong Kong) Limited (a wholly-owned subsidiary of the Company) ("Shouzhong HK") and Shougang Fund in respect of the acquisition of 40% of the equity interest in Shouzhong Investment Management Co., Ltd.*（首中投資管理有限公司）(the "Second Target Company") by Shouzhong HK from Shougang Fund, and the capital injection to the Second Target Company;

3. the open offer of 8,957,896,227 new shares of the Company to the qualifying shareholders in the proportion of one open offer share for every one exiting share of the Company held on 24 October 2017 at a subscription price of HK$0.225 per open offer share, and the absence of arrangements for application for the open offer shares by the qualifying shareholders in excess of their entitlements under the open offer; and

4. the master agreement dated 8 September 2017 between the Company and Shougang Fund in respect of the continuing connected transactions for the provision of private fund management services by the Group to Shougang Fund and/or its associates and the annual caps therefor for the three financial years ending 31 December 2019.

COMMUNICATION WITH SHAREHOLDERS (continued)

The auditor of the Company, Deloitte Touche Tohmatsu, attended the 2017 AGM. Details of the Directors' attendances at the general meetings of the Company held during the year are as follows:

Directors	2017 AGM	GM
Executive Directors		
Li Shaofeng	✓	✓
Ding Rucai	✓	✓
Shu Hong	✓	×
Non-executive Directors		
Zhang Bingcheng	×	×
Leung Shun Sang, Tony	✓	✓
Independent Non-executive Directors		
Kan Lai Kuen, Alice	✓	✓
Wong Kun Kim	✓	✓
Leung Kai Cheung	✓	✓

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.

SHAREHOLDERS' RIGHTS (continued)

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.

* *for identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREAMBLE

The Group is a member of Shougang Group Co., Ltd, which is a state-owned enterprise under the supervision of the Beijing State-owned Assets Supervision and Administration Commission.

Before the completion of acquisition of the private fund management and car park operation business in 2017, the Group's operations are mainly segregated into two segments, namely iron ore, steel and related product trading and administrative activities in Hong Kong. The Board of Directors (the "Board") believes that a sound environmental, social and governance structure is vital for continued sustainability and development of the Group's activities. The Group wishes to enhance the awareness of environmental protection and social caring through the disclosure on its environmental and social performance under a transparent manner. In order to carry out the sustainability strategy from top to bottom, the Board of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established dedicated teams to manage ESG issues within each business division in the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in environmental and social aspects can be found in this ESG Report. The Group believes that sustainability is essential to the long-term development of the Group.

The Group is pleased to present this ESG Report as a mean to demonstrate the Group's approach and performance in terms of sustainable development for the year ended 31 December 2017. This ESG report is prepared in compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited's website.

REPORTING PERIOD AND SCOPE OF THE REPORT

This ESG Report covers the environmental and social performance within the operational boundaries of the Group, mainly including the businesses of trading of iron ore and the administrative activities at the head quarter in Hong Kong. These are the key activities conducted by the Group during 2017. The reporting period of this ESG Report is the financial year from 1 January 2017 to 31 December 2017 ("FY2017"), unless specifically stated otherwise. The ESG Report will be issued on an annual basis.

INFORMATION DISCLOSURE

The information in this report is gathered from the official documents and statistics of the Group. The integrated information of supervision, management and operation are in accordance with the relevant policy, and the internal quantitative and qualitative questionnaires are based on the reporting framework and sustainability practices provided by the subsidiaries of the Group.

STAKEHOLDERS ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Group, the Group has put in tremendous efforts to listen to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders in order to maintain a high standard of sustainability within the Group, while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development	– Supervision on complying with local laws and regulations – Routing reports and taxes paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' compensation and benefits – Career development – Health and safety working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect the rights of customers	– Customer satisfaction survey – Face-to-face meetings and on-site visits – Customer service hotline and email

STAKEHOLDERS ENGAGEMENT (continued)

Stakeholders	Expectations and concerns	Communication channels
Suppliers	– Fair and open procurement – Win-win cooperation	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits – Industry seminars
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to face interview

Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholder's main concerns and material interests for the ESG Report. In FY2017, the Group has engaged its stakeholders to conduct a materiality assessment survey. Both internal and external stakeholders were selected based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the management of the Group and invited to express their views and concerns on a list of sustainability issues via an online survey. As a result, the Group is able to prioritise the issues for discussion.

Those aspects that have been mostly valued by both internal and external stakeholders should be put into priority. According to the result of the survey, the Group has identified the selection and assessment of suppliers as the issue of the highest importance to both the stakeholders and the Group. This review has helped the Group to prioritise its corresponding sustainability issues and highlight the material and relevant aspects so as to align them with stakeholders' expectations.

Stakeholders' Feedback

As the Group always strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as highest importance in the materiality assessment and its ESG approach and performance.

ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in the regions the Group operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong in daily operations. All offices of the Group have implemented effective energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the policies and practices of the Group in the along with quantitative data on emissions, use of resources, and the environment and natural resources during FY2017.

A.1. Emissions

The Group strictly adheres to emission related laws and regulations set out in Hong Kong. It is included in the Group's policy to reduce the impacts of these emissions on the environment through measures such as controlling of the Group's energy consumption, adopting special treatment of wastewater and solid wastes, and switching to the use of more environmental friendly fuel source. After the disposal of steel manufacturing, the environmental performance has a great improvement with much less emissions in FY2017.

Air Emissions

Air emissions of the Group is insignificant as it mainly comes from the use of vehicles for its daily operation. The exhausted gases generated from the combustion process were mainly sulphur oxides ("SO_X"), nitrogen oxides ("NO_X") and particle material ("PM"). Emitted exhaust gases have complied with the Integrated Emission Standard for Air Pollutants. The relevant amount of each emitted in FY2017 is shown in Table 1.

In FY2017, the Group's total air emissions has recorded 0.1kg SO_X and 6.9 kg NO_X. The amounts of PM is insignificant.

Greenhouse Gases ("GHGs")

In accordance with Appendix 27 of the HKEX Listing Rules, the Group has included its GHG emissions data for FY2017 in this ESG report. Most of the GHGs emission indirectly comes from the use of electricity. As GHGs emission is positively correlated to electricity consumption, the Group has implemented policies to reduce the electricity consumption in its daily operation through specific measures, which are further explained in the subsection headed "Electricity" under section A.2. "Use of Resources" of this ESG Report.

The total GHGs emission for the Group amounted to 61.9 tonnes CO_2-e ("equivalent carbon dioxide emission") with a carbon intensity of 1.5 tonnes CO_2-e per employee in FY2017.

ENVIRONMENTAL SUSTAINABILITY (continued)

A.1. Emissions (continued)

Wastewater & Solid Wastes

Wastewater produced by the Group is domestic wastewater, which is collected by the property management of the building and further discharged to the municipal wastewater treatment plant through the sewage pipe work. Since wastewater generation is positively correlated to the water consumption, the Group has adopted specific measures to reduce the water consumption, which are further explained in the subsection headed "Water" under section A.2. "Use of Resources" of this ESG Report.

Solid wastes produced by the Group only include domestic solid wastes from the daily operation. The collection and treatment for domestic solid wastes are handled by the property management of the building. The Group has collected the waste by category and reused the recyclable wastes. To reduce the wastes, the Group encourages employees to bring their own lunch boxes, recycle the office stationery and use non-disposable cups.

Only few non-hazardous wastewater and non-hazardous solid wastes were generated from the daily operation in the Hong Kong office in FY2017. The wastewater and solid wastes have been measured and monitored by the property management of the building. No wastewater data is provided to the Group by the property management. No hazardous waste was generated in FY2017. The Group's total emissions are summarized in Table 1 below.

Table 1 Total emissions of the Group by category in FY2017

Item	Type of emissions	Unit	Amount	Intensity (Per employee)
Air emissions	SO_X	kg	0.1	–
	NO_X	kg	6.9	0.2
GHG emission	Scope 1	Tonnes CO_2-e	16.5	0.4
	Scope 2	Tonnes CO_2-e	37.0	0.9
	Scope 3	Tonnes CO_2-e	8.4	0.2
	Total	Tonnes CO_2-e	61.9	1.4
Non-hazardous waste	Non-hazardous solid waste	kg	1,754.2	40.8

In FY2017, the Group found no disregard to influential laws relevant to waste gas or GHG emissions, water or land discharging, and hazardous or non-hazardous wastes.

ENVIRONMENTAL SUSTAINABILITY (continued)

A.2. Use of Resources

The Group strives to save energy and resources through persistent implementation of resources related internal policies in order to ensure that resources are consumed in an efficient and responsible manner. To ensure green policies are adopted in daily operations, the Group has issued a written guideline in respect of paper saving, energy saving and recycling of office stationery. The guideline has been circulated regularly for the staff to follow. Resources used by the Group in FY2017 were mainly electricity, water, and energy as summarized in Table 2 below. No packaging materials were used due to the nature of the business.

Water

Water consumption by the Group is entirely from the domestic use by its staffs during the working hours. The water consumption is managed by the property management of the building, and no specific data is provided to the Group. The amount of water consumed is minimal and need-based. To improve the utilization efficiency of water resources, the Group has formulated internal regulation and required all the employees to strictly comply to the following regulations:

- Require employees to strictly comply with Company's watering saving policy;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Promote and educate employees to save water;
- Regular inspection and maintenance on water tap, water pipelines and water storage; and
- Recycle the used water for cleaning.

ENVIRONMENTAL SUSTAINABILITY (continued)

A.2. Use of Resources (continued)

Electricity

The Group keeps a detailed record of its electricity consumption. The total electricity consumption of the Group amounted to 62,531 kWh in FY2017. All subsidiaries of the Group stringently comply with the Group's policy of saving electricity.

The Group's electricity consumption comes from regular operations in the offices. To ensure effective use of electricity, the Group has conducted the following practices:

- Turn off all lights and air conditions which are not in use;
- Replace high electricity consumption lamps with the installation of electricity saving lamps for office lighting;
- Place posters "Saving Electricity Resources" in prominent places to encourage employees to save electricity;
- Replace electronic facilities with electricity efficient ones;
- Use electronic facilities with energy saving label;
- Turn off the electronic facilities after work, such as copy machine and boiler;
- Install curtains to allow the transmission of light and keep the air conditions' efficiency;
- Clean office equipment regularly (such as refrigerator, air-conditioner, paper shredder) to maintain high efficiency; and
- Turn off computers at the end of the day.

ENVIRONMENTAL SUSTAINABILITY (continued)

A.2. Use of Resources (continued)

Energy

The Group has implemented various energy recycling measures in the daily operations, aiming to save energy while reduce emissions of pollutants. Energy saving mechanism has been adopted by the Group to ensure best management of the energy consumption. The gasoline consumed by the Group's vehicles during FY2017 were amounted to 6,082 litres.

Table 2 Total resources consumption of the Group by category in FY2017

Item	Types of Resources	Unit	Amount	Intensity (Per employee)
Energy consumption	Gasoline	litre	6,082	141.4
	Electricity	kWh	62,531	1,454.2

A.3. The Environment and Natural Resources

The Group is in strict compliance with the relevant laws and regulations and conducted regularly inspecting and monitoring on the regular operations of the Group. Due to the nature of the businesses, the Group has no great impact on the environment. Waste water, solid waste, air emission and other environmental impacts generated from the operation process of the Group are in conformity with environmental laws and regulations.

The natural resource consumed by the Group is paper used in daily operations. The Group has set guidelines for employees to reduce the paper consumption.

ENVIRONMENTAL SUSTAINABILITY (continued)

A.3. The Environment and Natural Resources (continued)

In FY2017, the total amount of paper consumption in the Group is 1,905.8 kg. Paper is mainly consumed by the Group in its offices, and the Group has adopted the following practices to reduce the consumption:

- Set duplex printing as the default mode for most network printers when printouts are needed;
- Promote the idea of "Think before print" by using posters and stickers in the offices to remind the staff to avoid unnecessary printings;
- Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling; and
- Use the back of old single-sided documents for printing or as draft paper.

The Group will continue to adhere to the safety, harmony and green development concept and make unremitting efforts to create a resource-saving and environmental-friendly corporate.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

The Group has persisted in the combination of a people-oriented management philosophy and an innovation mechanism. Through diversity and humanistic management, the Group has established a close relationship of mutual trust and support between the Group and its staff, and created a positive, healthy and motivated corporate culture and safe working environment for its employees. The Group strives to provide its employees with a suitable platform for developing their career, professionalism and advancement. Meanwhile, the Group provides employees with a competitive remuneration mechanism. The Group treasures employee's talent and sees it as key in driving the success and maintaining the sustainability of the Group. Moreover, the Group has also incessantly optimized its human resources structure, and improved its management methods to fully bring out employees' enthusiasm and initiatives.

B.1. Employment

The Group regards employees as its most important and valuable assets, seeking to provide a safe and sound working environment for employees and cultivating talents experienced in technology and management. By improving the remuneration system and career paths, the Group has expected to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

EMPLOYMENT AND LABOUR PRACTICES (continued)

B.1. Employment (continued)

Law compliance

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong, including Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Employees' Compensation Ordinance and Minimum Wage Ordinance. The Group has also complied with the laws and regulations in respect to the employees' social security schemes in relation to employees' benefits. The human resources department of the Group and its subsidiaries reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

Recruitment and promotion

The Group sets "Annual recruitment plan" to recruit employees and adopts a transparent recruitment system to recruit outstanding employees. The Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspiration. The candidates are officially employed by the approval of human resources department and managers after interview. Also, the Group takes various measures to attract candidates such as posting information on the internet, attending recruitment seminars and hire headhunting companies. The Group references market benchmarks in determining its remuneration and benefit policies. This ensures that employees are recognised by the Group appropriately with respect to their efforts and contributions.

Compensation and dismissal

As talent retention is vital to the future business development of the Group, the Group constantly reviews its compensation packages and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee's performance in the past. The Group will give bonus to employees according to their performance. The promotion report issued by the manager is based on the outstanding performance of the employee. By improving the remuneration system and career paths, the Group has expected to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

Meanwhile, any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbooks. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

EMPLOYMENT AND LABOUR PRACTICES (continued)

B.1. Employment (continued)

Working hours and rest periods

The Group sets the working hours and rest periods according to the laws and ordinance in Hong Kong. The Group has formulated its own internal policies to inspect the working hours for every employee to ensure the compliance of local laws. Employees can receive overtime pay or compensation leave if the employees work at non-office hours. In addition to basic paid annual leave and statutory holidays stipulated by the Employment Ordinance of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, compassionate leave and others.

Equal opportunity and anti-discrimination

The equal opportunity policy allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations, such as Disability Discrimination Ordinance and Sex Discrimination Ordinance. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Company. As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The Group takes the responsibility for assessing, recording and taking any necessary disciplinary actions in relation to such incidents.

Other benefits and welfare

Except for statutory annual leave, the Group also offers other benefits to its employees, such as medical insurance, dental insurance, mandatory provident fund and year-end bonus. In addition, the Group distributes holiday gifts at traditional Chinese Festivals. The Group holds a series of activities in 2017, such as Christmas party, opening spring festival banquet and organising visit to Shougang's site at Beijing, etc.

EMPLOYMENT AND LABOUR PRACTICES (continued)

B.1. Employment (continued)

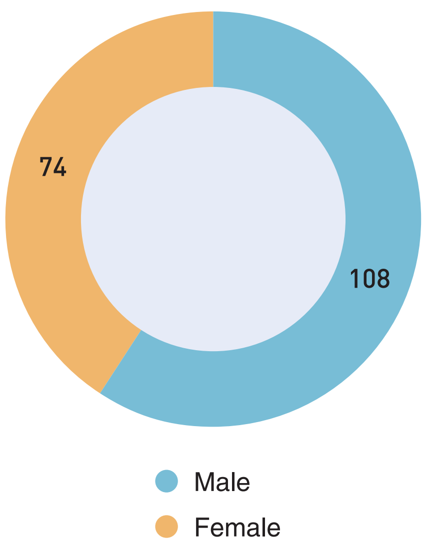
Other benefits and welfare *(continued)*

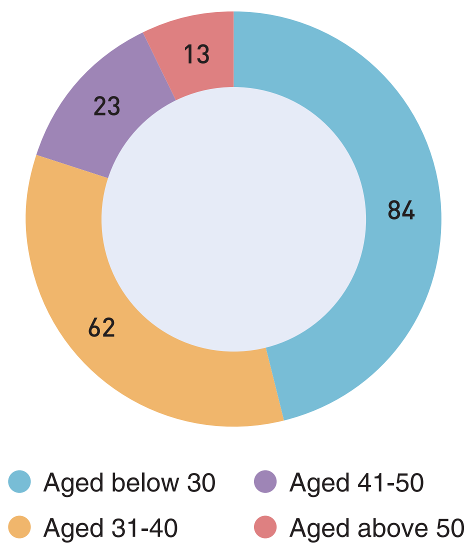
During the year under review, the Group has complied with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

After acquisition of the private fund management and car park operation business, the statistics of employees in the PRC and Hong Kong at the end of 2017 are included in the Table 3 and Table 4.

Table 3 Total workforce by gender, employment type and age group at the end of 2017
Unit: number of employee

	By age group				
Gender	**Aged below 30**	**Aged 31-40**	**Aged 41-50**	**Aged above 50**	**Total**
Male	52	37	10	9	108
Female	32	25	13	4	74
Total	84	62	23	13	182





EMPLOYMENT AND LABOUR PRACTICES (continued)

B.1. Employment (continued)

Other benefits and welfare (continued)

By employment type		
Full time	Part time	Total
181	1	182

Table 4 Employee turnover rate by gender and age group in FY2017
Unit: number of employee

	By age group				
Gender	Aged below 30	Aged 31-40	Aged 41-50	Aged above 50	Total
Male	0	2	0	0	2
Employee turnover rate*	0%	40.0%	0%	0%	15.4%
Female	4	1	0	2	7
Employee turnover rate*	57.1%	11.1%	0%	66.7%	23.3%
Total	4	3	0	2	9
Total employee turnover rate*	57.1%	21.4%	0%	25.0%	20.9%

* Turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned ÷ annual average workforce of the Group before the acquisition of the private fund management and car park operation business)

EMPLOYMENT AND LABOUR PRACTICES (continued)

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations stipulated by the HKSAR Government. The specific laws and regulations include but not limited to Occupational Safety and Health Ordinance, Employees' Compensation Ordinance.

The Group has established a comprehensive mechanism in committing to workplace safety by incorporating a range of occupational health and safety measures for all employees in the workplace. Emergency exits are always unobstructed and unlocked from the inside of the workplace during working hours. The Group has brought medical insurance and dental insurance for all employees in Hong Kong. Offices have well-stocked, unlocked first aid stations. In addition, the Group aims to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The measures taken to achieve such goal are listed below:

- Prohibit smoking and liquor drinking in the workplace;
- Carry out periodical cleaning in offices, including disinfection treatment of carpets and cleaning of air-conditioning systems and water dispensers;
- Post safety warning signs; and
- Set stringent safety and labour practice standards to minimize the risk of accidents and enhance the employees' health and safety awareness.

In FY2017, no work-related fatalities and no lost days due to work injury occurred in the Group's related activities. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

EMPLOYMENT AND LABOUR PRACTICES (continued)

B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The purpose is being to improve the Groups' overall operational efficiency through the intranet platform. For newly hired employees, the Group provided comprehensive orientation training for them to understand the corporate culture, business flow, working health and safety, management systems and group development. Relevant department occasionally shared some learning material through intranet.

The Group also encourages employees to attend external trainings for enhancing their competitiveness and expanding their capacity through continuous learning. The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, so as to benefit the Group as employees are expected to achieve better working performance after receiving appropriate training.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance and other related labour laws and regulations in Hong Kong to prohibit any child and/or forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources staff requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. And a whistle blowing mechanism has been established to monitor and ensure full compliance of latest and relevant laws and regulations that prohibits child labour and forced labour. The human resources department of the Company is responsible to monitor and ensure compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

It is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain. The Group has achieved this goal by conducting comprehensive evaluation of potential suppliers, investigating of selected suppliers, imposing strict standards on the quality of suppliers' raw materials and services, and reviewing the suppliers' products, services, previous track record, ongoing projects, reputation, quality and their social and environmental responsibility regularly so as to maintain a good and long-term relationship with suppliers.

Selection of suppliers

The principle supply of the Group is iron ore for trading business and the main suppliers are reputable mining companies located in Australia and Brazil. When choosing suppliers, the Group requires the suppliers to provide relevant information to conduct internal evaluation. Also, the Group requires the suppliers to provide the analysis report on quality accidents, describing the reason of the accident, quality analysis and prevention measures. The Group performs site inspection to assess the background of the eligible tenderers based on their quality management systems and business certificates, equipment and facilities, financial position, reputation and after-sales services.

The Group would conduct some basic evaluations in top management turnover, production capacity, changes in manufacturing techniques and raw materials, and violations of the law and discipline of the suppliers. According to the evaluation of the Group, those with serious problems existed in the regulatory compliance, delivery, health and safety, and environment protection were put in the black list immediately.

Besides, the Group has created a list to manage the suppliers accordingly. All the tenders that meet the requirements of the Group will be added in the list.

The Group is dedicated to reducing the impact on the environment when coordinated with suppliers. Those with proper environmental licence are preferred in the trading.

OPERATING PRACTICES (continued)

B.5. Supply Chain Management (continued)

Risk management

The Group has backup suppliers. About the risk of price fluctuation, the Group has called for bids and compared the prices when choosing a specific supplier. The suppliers should abide strictly by the internal price control method, thus there is little risk about price fluctuation. To enhance the effectiveness and efficiency of procurement, the Group is also responsible for identifying eligible bidders through tendering according to the Group's internal regulations.

The Group has attached great importance to the communication with the suppliers to build inter-trust. To ensure sufficient supply, the Group has kept close contact with the suppliers and reserve products in advance. Therefore, the suppliers are reliable after long-term cooperation. To enhance the effectiveness of the Group's risk management in terms of environmental and social aspects, the Group strives its best in engaging suppliers that could lessen the environmental impacts made in the sourcing activities of the Group. If a potential tenderer passes the Group's assessment, it will be listed as an approved supplier or contractor of the Group.

B.6. Product Responsibility

The philosophy about the products and service of the Group is to provide products with good quality up to the specification and keep in good relationship with customers and pursue win-win to both parties at all times.

Law compliance

The Group strictly complies with all relevant laws and regulations in Hong Kong relating to health and safety, advertising, labelling and privacy matters. No laws and regulations that has a significant impact on the Group in FY2017.

Product quality

The main customers of the Group are in the PRC, and for every customer, the Group will provide a quality certification or import certification to prove the product quality. The suppliers take full responsibility of the product quality and shipped to the customer directly. If the product fails to fit the certification of the customer, there will be penalty for the supplier, no coordination and recycle will be make between suppliers and customers.

OPERATING PRACTICES (continued)

B.6. Product Responsibility (continued)

Customer complaints and privacy

The Group provides service through hotlines and email to communicate with their customers and receive complaints. The Group perform the evaluation and investigation upon receipt of customer complaints to identify the cause of the problems. Once confirming the complaints, the Group would work out specific solutions and response relevant clients and record the complaints. During FY2017, no complaints are received, no product sold are recalled.

The Group has strictly complied with relevant laws relating to customers' privacy such as the Personal Data (Privacy) Ordinance and other relevant laws and regulations to ensure customers' rights are strictly protected. Information collected by the Group from its customers would only be used for the purpose for which it has been collected. The Group prohibits the provision of customer information to a third party without authorisation of the customer. The Group has built a safe data protection system which is only accessible to some specific staffs to ensure the security of the data. The employees are educated to enhance the awareness of the data release risks and sign the confidentiality agreement. The IT department set obstruction between office and commercial net to prevent unauthorized data use, exportation and copy.

Advertising and intellectual property

The Group has established internal guidelines to ensure the sales and marketing departments of the Group are providing accurate, precise product descriptions and information that comply with the relevant local laws and regulations to the customers. Any misrepresentation in marketing materials or exaggeration of offerings is strictly prohibited.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering and the Prevention of Bribery Ordinance.

The Group has formulated comprehensive internal operating manuals, such as staff handbooks and financial management policies, based on the anti-corruption, anti-fraud and anti-bribery policies of the Group. The Group's commitment to integrity and the prevention of fraud and commercial bribery is reflected in its different business agreements, such as the employment contracts, bidding documents, procurement contracts, which are signed by employees, business units and customers. All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which might affect their business decision or independent judgment in the course of business operation which exploit their positions against the Group's interests.

OPERATING PRACTICES (continued)

B.7. Anti-corruption (continued)

The Group has no tolerance to any corruption and set whistle-blowing policy to report any corruption. Relevant evaluation, consultation, investigation and punishment are written in the whistle-blowing policy. Whistle-blowers can report verbally or in writing to the management or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

The Group greatly evaluates the promotion and education of anti-corruption and conduct regular meetings to prevent corruption. Besides, the Group has noted the employees to prevent bribery in the operation and damage the interest of the Group.

During the year under review, the Group is not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities in which it operates, and sees the interests of such communities as one of its social responsibilities. It is the Group's policy to participate in social welfare activities and community care projects to gain an understanding of the needs of the communities in which it operates. Participation in such projects helps formulate policies and objectives, which are in line with the interests of these communities.

The Group believes that employees are always our solid foundation and most care. Having won the "MPF Good Employer" for three years, the Group made great contribution to the welfare of our employees.

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 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in note 44 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the audited financial statements on pages 116 to 254 of this annual report.

The Board of Directors of the Company (the “Board”) does not recommend the payment of any dividend in respect of the year (2016: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on page 12 to 26 and pages 27 to 40 of this annual report respectively.

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 255 of this annual report.

SHARE CAPITAL

During the year, the Company issued 8,957,896,227 new ordinary shares of the Company as a result of an open offer, details of which are set out in the section headed “Connected Transactions and Continuing Connected Transactions” below.

Details of movements in the Company’s share capital during the year are set out in note 30 to the consolidated financial statements.

DONATIONS

No charitable donation was made by the Group during the year (2016: Nil).

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Zhao Tianyang	*(appointed with effect from 6 January 2018)*
Li Shaofeng	
Liang Hengyi	*(appointed with effect from 6 January 2018)*
Shu Hong	
Leung Shun Sang, Tony	
Liu Jingwei	*(appointed with effect from 6 January 2018)*
Li Yinhui	*(appointed with effect from 6 January 2018)*
Kan Lai Kuen, Alice*	
Wong Kun Kim*	
Leung Kai Cheung*	
Zhang Quanling*	*(appointed with effect from 6 January 2018)*
Zhang Bingcheng	*(resigned with effect from 6 January 2018)*
Ding Rucai	*(resigned with effect from 6 January 2018)*

* *Independent Non-executive Directors*

In accordance with article 93 of the Company's articles of association, Mr. Zhao Tianyang, Mr. Liang Hengyi, Mr. Liu Jingwei, Dr. Li Yinhui and Ms. Zhang Quanling will be subject to, and offer themselves for, re-election at the forthcoming annual general meeting of the Company. In accordance with article 102(A) of the Company's articles of association, Mr. Leung Shun Sang, Tony and Ms. Kan Lai Kuen, Alice will retire at the forthcoming annual general meeting of the Company, and both of them will not offer themselves for re-election due to their other engagements.

In addition, separate resolutions will be proposed to the shareholders to elect Dr. Wang Xin, Mr. Choi Fan Keung Vic and Mr. Deng Yougao respectively as new Directors of the Company at the forthcoming annual general meeting of the Company. Please also refer to the annual general meeting circular dated 16 April 2018 to the Company's shareholders.

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, directors of the subsidiaries of the Company include Zhao Tianyang, Li Shaofeng, Liang Hengyi, Ding Rucai*, Shu Hong, Leung Shun Sang, Tony*, Bao Linsheng, Chang Yingxin, Chen Yu, Chen Zhong, Ching Chien Wei, Fu Qiang, Jia Tinting, Jiang Molin, Li Jing, Li Na, Lin Yan, Liu Hongyi, Ma Jian*, Meng Yue, Shen Zhuolin, Song Qingqiu*, Sui Changzheng, Tan Long, Wang Hongpeng, Wang Jinyong, Wang Lei, Wang Min, Wu Jing, Xie Peng, Xu Huajie, Yang Junlin*, Yu Haiyang, Yu Yuqun, Zhang Beicen, Zhang Chunping and Zhang Lan. Those marked with an asterisk* ceased to be directors of the relevant subsidiaries of the Company as at the date of this report.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers 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 2017 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2017 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 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"):

(a) Long positions in the shares of the Company

Name of Director	Capacity in which interests were held	Number of shares in the Company	Interests as to % of the total number of shares of the Company in issue as at 31.12.2017
Leung Shun Sang, Tony	Beneficial owner	7,590,000	0.04%

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

(b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Century			Total interests as to % of the total number of shares of Shougang Century in issue as at 31.12.2017
		Interests in shares	Derivative interests*	Total interests	
Li Shaofeng	Beneficial owner	7,652,000	13,800,000	21,452,000	1.11%
Leung Shun Sang, Tony	Beneficial owner	7,652,000	12,000,000	19,652,000	1.02%

* *The interests are unlisted physically settled options.*

(c) Long positions in the shares and underlying shares of Shougang Concord Grand (Group) Limited ("Shougang Grand"), which has become an associated corporation of the Company since 16 November 2017

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Grand			Total interests as to % of the issued share capital of Shougang Grand as at 31.12.2017
		Interests in shares	Derivative interests*	Total interests	
Leung Shun Sang, Tony	Beneficial owner	8,278,000	8,000,000	16,278,000	0.60%

* *The interests are unlisted physically settled options.*

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

(d) Long positions in the shares of BeijingWest Industries International Limited ("BeijingWest"), which has become an associated corporation of the Company since 16 November 2017

Name of Director	Capacity in which interests were held	Number of shares in BeijingWest	Interests as to % of the issued share capital of BeijingWest as at 31.12.2017
Shu Hong	Beneficial owner	8,000	0.00%

Save as disclosed above, as at 31 December 2017, 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, its parent company or any subsidiary of its parent company 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 TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company was a party and in which a Director of the Company or his/her connected entities 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
Zhang Bingcheng*	Shougang Holding Trade (Hong Kong) Limited and Shougang International Trade (Hong Kong) Limited	Trading of iron ore and steel products	Director
Li Shaofeng	Shougang Holding (Hong Kong) Limited ("Shougang Holding") #	Steel manufacturing, and trading of iron ore and steel products	Director
Ding Rucai*	Shougang Holding#	Steel manufacturing, and trading of iron ore and steel products	Director

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

* Each of Mr. Zhang Bingcheng and Mr. Ding Rucai resigned as a Director of the Company with effect from 6 January 2018.

The Board of the Company is independent from the boards 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 these entities.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, according to the register kept by the Company under Section 336 of the SFO, the following companies 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 total number of shares of the Company in issue as at 31.12.2017	
Shougang Group Co., Ltd. (“Shougang Group”)	Interests of controlled corporations	11,733,903,865	65.49%	*Note*
Shougang Holding	Beneficial owner, interests of controlled corporations	11,733,903,865	65.49%	*Note*
China Gate Investments Limited (“China Gate”)	Beneficial owner	2,757,829,774	15.39%	*Note*

Note: Shougang Group indicated in its disclosure form dated 19 December 2017 (being the latest disclosure form filed up to 31 December 2017) that as at 19 December 2017, its interests included the interests held by Shougang Holding and China Gate respectively, both were wholly-owned subsidiaries of Group.

Save as disclosed above, as at 31 December 2017, 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.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

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 7 June 2002, the shareholders of the Company adopted the 2002 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 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 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 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme is set out below:

(a) The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

As the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme since then. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme. During the year, all the outstanding 20,000,000 share options granted under the 2002 Scheme were cancelled. Accordingly, no shares of the Company may be issued under the 2002 Scheme as at the date of this annual report.

Each of the grantees was required to pay HK$1.00 as a consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

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 2002 Scheme and the 2012 Scheme.

No share option was granted, exercised or lapsed in accordance with the terms of the 2002 Scheme during the year. Details of the movement of share options under the 2002 Scheme during the year are as follows:

	Options to subscribe for shares of the Company					
Category or name of grantee	At the beginning of the year	Cancelled during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Director of the Company						
Li Shaofeng	20,000,000[1]	(20,000,000)[2]	–	14.12.2010	14.12.2010 – 13.12.2017	HK$1.180
	20,000,000	(20,000,000)	–			

Notes:

1. Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the grantee.

2. The grantee had given a letter of consent for the cancellation of such share options unconditionally and such share options were cancelled by the Company with effect from 15 August 2017.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 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 the 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 895,330,622, representing approximately 5% of the issued shares of the Company 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 the grantee, his/her associates and all core 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 a 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 2017, there was no share option outstanding under the 2012 Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed “Share Option Schemes” herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

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 did not have any reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from sales of goods or rendering of services to the Group's five largest customers accounted for approximately 42.3% of the total revenue from sales of goods or rendering of services for the year and revenue from sales of goods or rendering of services to the largest customer included therein amounted to approximately 10.5%. Purchases from the Group's five largest suppliers accounted for approximately 41.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 14.1%. The ultimate holding company of the controlling shareholder of the Company was Shougang Group Co., Ltd., which together with its subsidiaries, was the largest supplier of the Group. Save as disclosed above, none of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following connected transactions and continuing connected transactions were recorded during the year and up to the date of this annual report:

Connected transactions

(a) The First Agreement and the Second Agreement dated 8 September 2017

On 8 September 2017, Jingji (Hong Kong) Limited (the "First Purchaser"), a wholly-owned subsidiary of the Company, entered into an agreement (the "First Agreement") with Beijing Shougang Fund Co., Ltd.*（北京首鋼基金有限公司）("Shougang Fund") under which the First Purchaser agreed to acquire 95% of the equity interest (the "First Sale Shares") in Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd.*（京冀協同發展示範區（唐山）基金管理有限公司）(the "First Target Company") for RMB231,135,000 and to inject RMB32,300,000 into the First Target Company as committed and unpaid capital for the First Sale Shares (the "First Acquisition"). The First Target Company is a limited liability company which is principally engaged in the business of the provision of private fund management services in the People's Republic of China (the "PRC").

On 8 September 2017, Shouzhong (Hong Kong) Limited (the "Second Purchaser"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Second Agreement") with Shougang Fund under which the Second Purchaser agreed to acquire 40% of the equity interest (the "Second Sale Shares") in Shouzhong Investment Management Co., Ltd.*（首中投資管理有限公司）(the "Second Target Company") for RMB115,597,000 and to inject RMB71,200,000 into the Second Target Company as committed and unpaid capital for the Second Sale Shares (the "Second Acquisition"). The Second Target Company is a limited liability company which is engaged in the business of car parking system and services in the PRC with a focus on smart car parking system.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(a) The First Agreement and the Second Agreement dated 8 September 2017 *(continued)*

As at the date of the First Agreement and the Second Agreement, Shougang Fund was a wholly-owned subsidiary of Shougang Group. Shougang Group was the holding company of Shougang Holding which in turn was the controlling shareholder of the Company. Accordingly, Shougang Fund was an associate of Shougang Holding and hence a connected person of the Company. The First Acquisition and the Second Acquisition constituted connected transactions for the Company under the Listing Rules.

The Company disposed of its Qinhuangdao business (the "Qinhuangdao Business") in late 2016, which comprised mainly of two steel mills, a deep processing centre on steel products and exploration and processing of iron ore operation in Qinhuangdao City, Hebei province, the PRC. Since the disposal of the Qinhuangdao Business, the Group's principal business has primarily been focused on the trading business. Although the Group's financial performance has been improved by the disposal of the entire interest in the Group's Qinhuangdao Business, the Directors consider that it is necessary to explore new business opportunities to diversify the business risk and to strengthen the current financial position of the Group. The Group has been exploring different investment opportunities. The First Acquisition and the Second Acquisition represented opportunities for the Group to diversify its business and provide the Group with potential source of income. Details of the First Acquisition and the Second Acquisition were disclosed in the announcement of the Company dated 8 September 2017 and a circular of the Company dated 25 September 2017. The First Agreement and the Second Agreement were approved, confirmed and ratified by the independent shareholders of the Company on 12 October 2017.

The First Acquisition was completed on 13 December 2017. Upon completion of the First Acquisition, the First Target Company became a non-wholly owned subsidiary of the Company. The Second Acquisition was completed on 21 December 2017. Upon completion of the Second Acquisition, the Second Purchaser was interested in 40% of the equity interest in the Second Target Company and had the right to nominate three out of the five members of the board of directors of the Second Target Company. As such, the Group had control over the board of directors of the Second Target Company and the Second Target Company was accounted as a non-wholly owned subsidiary of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(b) Underwriting agreement dated 8 September 2017

On 8 September 2017, the Company and Shougang Holding as underwriter entered into an underwriting agreement (the “Underwriting Agreement”) in respect of the underwriting arrangement for the open offer of 8,957,896,227 new ordinary shares of the Company (the “Open Offer Shares”) to the qualifying shareholders of the Company on the basis of one open offer share for every one existing share held at a subscription price of HK$0.225 per Open Offer Share (the “Open Offer”). Pursuant to the Underwriting Agreement, the Company shall pay to Shougang Holding an underwriting commission of an amount equal to 1% of the total subscription price in respect of the underwritten shares to be underwritten. As at the date of the Underwriting Agreement, Shougang Holding was the controlling shareholder of the Company. Accordingly, the payment of the underwriting commission by the Company to Shougang Holding under the Underwriting Agreement constituted a connected transaction for the Company under the Listing Rules.

The Open Offer enabled the Company to raise funds and provide the Company with the financial flexibility necessary for the First Acquisition and the Second Acquisition and the Group’s future development and investment purposes as and when suitable opportunities arise and improved the Group’s overall financial position. In addition, the Open Offer allowed the Company to strengthen its capital base and provide an opportunity to all shareholders of the Company to participate in the development of the Company in proportion to their shareholdings. Details of the Open Offer were disclosed in the announcements of the Company dated 8 September 2017 and 15 November 2017 and in the circular of the Company dated 25 September 2017.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(c) Partnership Agreement dated 12 February 2018

On 12 February 2018, Beijing Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd*（京冀協同發展示範區（唐山）基金管理有限公司 "Jingji Capital"), a wholly-owned subsidiary of the Company, entered into a partnership agreement (the "Partnership Agreement") with Beijing Shougang Fund Co., Ltd*（北京首鋼基金有限公司 "Shougang Fund"), Caofeidian Financial Development Group Co., Ltd*（曹妃甸金融發展集團有限公司 "Caofeidian Financial Development") and China Merchants Securities Assets Management Co., Ltd*（招商證券資產管理有限公司 "China Merchants Assets Management") for the establishment of a partnership (the "Partnership") for a term of eight year. The Partnership will engage in equity investments and other investments as permitted by law with a focus on investing in infrastructure development projects and related services in Beijing-Hebei Caofeidian Co-development Exhibition Zone*（京冀曹妃甸協同發展示範區）and in industries relocating from Beijing in sectors encouraged by the PRC government and in line with the investment requirements of Shougang Fund. The total capital contribution to the Partnership will be RMB1,000 million of which 1%, 29%, 20% and 50% will be contributed by Jingji Capital, Shougang Fund, Caofeidian Financial Development and China Merchants Assets Management respectively. Jingji Capital will have the sole right to determine the introduction of new investors to the Partnership within 24 months from the date of the first capital contribution to the Partnership.

Jingji Capital will act as the general partner and fund manager of the Partnership and in return, the Partnership will pay Jinji Capital:

(i) an annual management fee of 1.5% of the actual amount invested by each partner in the project from the date of investment in the project until the date of withdrawal from the project by the relevant partner; and

(ii) thereafter, the annual management fee will be calculated at 1.5% of the difference between the actual investment made by a partner in the project and the distribution by the Partnership to the said partner.

Upon the investment project becoming profitable, the management fee will be paid to Jingji Capital prior to any distribution to the partners.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(c) Partnership Agreement dated 12 February 2018 *(continued)*

Since its establishment, Jingji Capital has actively implemented the strategy of coordinated development of the Beijing-Tianjin-Hebei area. Based on its rich experience in fund management, it has attracted Caofeidian Financial Development, representing the local state-owned enterprises, and China Merchants Assets Management, representing professional financial institutions, to co-sponsored the establishment of the Partnership. The establishment of the Partnership will play a positive role in furthering the fund management business of Jingji Capital and expanding its investment influence in Beijing, Tianjin and Hebei Province.

As at the date of entering into of the partnership agreement, Shougang Fund was a wholly owned subsidiary of Shougang Group Co., Ltd*（首鋼集團有限公司 "Shougang Group"). Shougang Group, through its subsidiaries (including Shougang Fund), was interested in approximately 65.5% of the total number of shares of the Company in issue and Shougang Fund through its wholly-owned subsidiary was also interested in 10% of the total number of shares of the Company in issue. As such, Shoguang Fund was a connected person of the Company and the entering into of the Partnership Agreement constituted a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules. Details of the transaction were disclosed in the announcement of the Company dated 12 February 2018.

(d) Partnership Agreement dated 28 March 2018

On 28 March 2018, Heilongjiang Shouhe Venture Capital Limited Partnership*（黑龍江首和創業投資管理企業（有限合夥）"Shouhe"), a non-wholly-owned subsidiary of the Company, entered into a partnership agreement (as supplemented, the "Partnership Agreement") with Shougang Fund Co., Ltd*（北京首鋼基金有限公司 "Shougang Fund"), Heilongjiang Keli High Technology Industry Investment Co., Ltd.*（黑龍江省科力高科技產業投資有限公司 "Keli") and Harbin Venture Capital Group Co., Ltd.*（哈爾濱創業投資集團有限公司 "Harbin Venture Capital") in relation to the establishment of a partnership (the "Partnership") for a term of 8 years. The first five years of the term shall be the investment period ("Investment Period"), and the last three years of the term shall be the payback period ("Payback Period"), during which the Partnership shall not carry out any further investments. The Partnership will engage in investment activities as permitted by law in the PRC, with a focus on investing in car parking infrastructure facilities, smart cities, ice sports entertainment, underground pipelines, healthcare and other city integrated services industry areas, as well as advanced manufacturing, robotics, technology, media and telecoms, new materials, cloud computing, comprehensive health and other new strategic industry areas.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(d) Partnership Agreement dated 28 March 2018 (continued)

The target total capital contribution to the Partnership is RMB600 million. Shouhe, Shougang Fund, Keli and Harbin Venture Capital shall be the founding partners and make capital contributions after the Partnership's establishment in the total amount of RMB406 million and hold as to 1.478%, 49.261%, 36.946% and 12.315% interests in the Partnership respectively. After the establishment of the Partnership, Shougang Dongbei Revitalization Industry Fund Management Co., Ltd.*（首鋼東北振興產業基金管理有限公司 "Fund Manager"), a wholly-owned subsidiary of the Company, shall be responsible for raising contributions in the amount of RMB60 million and RMB134 million, respectively, from the Harbin Economic-Technological Development Zone Guidance Fund (Harbin Yuerong) and from social capital.

The Partnership shall pay the Fund Manager:

(i) During the Investment Period, an annual management fee of 0.5% of the Partnership's total subscribed capital contribution amount; and

(ii) During the Payback Period as well as during extensions of the Investment Period or Payback Period, an annual management fee of 0.5% of the fund under the management of the Partnership.

The Partnership shall pay Shouhe as the general partner (the "General Partner") in its role as executive partner:

(iii) During the Investment Period, an annual executive compensation of 1% of the Partnership's total subscribed capital contribution amount; and

(iv) During the Payback Period as well as during extensions of the Investment Period or Payback Period, an annual executive compensation of 1% of the fund under the management of the Partnership.

The Partnership is established along with the strategy of revitalization of Northeast China and will enhance the connection between the Group and the economic activities in Heilongjiang Province, which would lead to a priority of potential business in the future. The establishment of the Partnership will play a positive role in furthering the fund management business of the Group and exploiting potential market for its car parking facilities and investment operation business in Heilongjiang Province.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Connected transactions (continued)

(d) Partnership Agreement dated 28 March 2018 *(continued)*

As at the date of the Partnership Agreement, Shougang Fund was a wholly-owned subsidiary of Shougang Group Co., Ltd.*（首鋼集團有限公司 "Shougang Group"). Shougang Group, through its subsidiaries (including Shougang Fund), was interested in approximately 61.876% of the total number of the ordinary shares of the Company in issue and is a substantial shareholder and a connected person of the Company. Accordingly, the entering into of the Partnership Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Details of the transaction were disclosed in the announcement dated 28 March 2018.

Continuing connected transactions

(a) Master agreement dated 3 October 2016

As stated in the announcement of the Company dated 3 October 2016 and in the circular of the Company dated 18 November 2016, a master agreement between the Company and Shougang Corporation (now known as Shougang Group), a connected person of the Company by virtue of its being the controlling shareholder of the Company, was entered into on 3 October 2016 (the "2016 Master Agreement") for governing the continuing connected transactions to be entered into between the Group and Shougang Group and/or its associates for the three financial years ending 31 December 2019. Pursuant to the 2016 Master Agreement, Shougang Group and/or its associates will provide iron ore, steel and related products to the Group (the "Purchases") during the three financial years ending 31 December 2019.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

(a) Master agreement dated 3 October 2016 (continued)

The cap amounts of the Purchases for each of the three financial years ending 31 December 2019 are as follows:

	Financial year ended/ending 31 December		
	2017	**2018**	**2019**
	HK$ million	*HK$ million*	*HK$ million*
Cap amounts for the Purchases	1,100	1,600	2,700

The basis of determining the prices for the continuing connected transactions contemplated under the 2016 Master Agreement will be in accordance with: (1) comparable market price based on the Platts Iron Ore Index; or (2) if no comparable market price can be taken as a reference, a price reasonably agreed between parties on normal commercial terms and such price should be no less favourable to the Company than that available from independent third parties.

The continuing connected transactions with Shougang Group and/or its associates under the 2016 Master Agreement would secure a stable source of supply of iron ore, steel and related products to support the business of trading in iron ore, steel and related products carried out by the Group following the disposal of the Qinhuangdao Business in late 2016.

The 2016 Master Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 23 December 2016. Details of the continuing connected transactions contemplated under the 2016 Master Agreement have been disclosed in the announcement of the Company dated 3 October 2016 and in the circular of the Company dated 18 November 2016.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

(b) Tenancy agreements

As stated in the announcements of the Company dated 23 December 2016 and 23 March 2017, the following tenancy agreements (the "Tenancy Agreements") were entered into by certain wholly-owned subsidiaries of the Company:

(i) a tenancy agreement dated 23 December 2016 (the "Tenancy Agreement 1") whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 228 square feet was leased by Billioncorp Development Limited ("Billioncorp"), a wholly-owned subsidiary of Shougang Holding, to Shougang Concord Services Limited ("Shougang Services"), a wholly-owned subsidiary of the Company, for a term of thirty-six (36) months commencing on 1 January 2017 and expiring on 31 December 2019 at a monthly rental of HK$10,700, exclusive of rates and management fee;

(ii) a tenancy agreement dated 23 December 2016 (the "Tenancy Agreement 2") whereby a portion of the 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 1,000 square feet was leased by Winluck Properties Limited ("Winluck"), a wholly-owned subsidiary of Shougang Holding, to Shougang Concord Shipping Services Limited ("Shougang Shipping Services"), a wholly-owned subsidiary of the Company, for a term of thirty-six (36) months commencing on 1 January 2017 and expiring on 31 December 2019 at a monthly rental of HK$47,000, exclusive of rates and management fee;

(iii) a tenancy agreement dated 23 December 2016 (the "Tenancy Agreement 3") whereby a portion of the 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 190 square feet was leased by Winluck to Shougang Services for a term of thirty-six (36) months commencing on 1 January 2017 and expiring on 31 December 2019 at a monthly rental of HK$9,000, exclusive of rates and management fee;

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

***(b) Tenancy agreements** (continued)*

(iv) a tenancy agreement dated 23 December 2016 (the "Tenancy Agreement 4") whereby a portion of the 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,618 square feet was leased by Wonderfine Development Limited ("Wonderfine"), a wholly-owned subsidiary of Shougang Holding, to Shougang Services for a term of thirty-six (36) months commencing on 1 January 2017 and expiring on 31 December 2019 at a monthly rental of HK$311,000, exclusive of rates and management fee; and

(v) a tenancy agreement on 23 March 2017 (the "Tenancy Agreement 5") whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 1,629 square feet was leased by Billioncorp to Shougang Shipping Services for a term of thirty-three (33) months commencing on 1 April 2017 and expiring on 31 December 2019 at a monthly rental of HK$76,563, exclusive of rates and management fee.

The Tenancy Agreement 1, the Tenancy Agreement 2, the Tenancy Agreement 3 and the Tenancy Agreement 4 were entered to renew the tenancies of the premises as offices of the Group with the expiry of the respective tenancy agreements on 31 December 2016. In order to cope with the expansion of Shougang Shipping Services, Shougang Shipping Services and Winluck agreed to terminate the Tenancy Agreement 2 with effect from 1 April 2017. On the other hand, Shougang Shipping Services entered into the Tenancy Agreement 5 which is of a larger floor area.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

(b) Tenancy agreements *(continued)*

Based on the monthly rents payable under each of the Tenancy Agreements (other than the terminated Tenancy Agreement 2), the annual caps for the three years ending 31 December 2019 are as follows:

	For the three years ending 31 December 2019
	HK$
Tenancy Agreement 1	128,400
Tenancy Agreement 3	108,000
Tenancy Agreement 4	3,732,000
Tenancy Agreement 5	918,756
Total	4,887,156

Each of Billioncorp, Winluck and Wonderfine was a wholly-owned subsidiary Shougang Holding, which in turn was the controlling shareholder of the Company. Accordingly, the transactions under the Tenancy Agreements constituted continuing connected transactions for the Company under the Listing Rules.

(c) Partnership agreements

Before the date of the First Agreement, the First Target Company or its subsidiaries had entered into certain partnership agreements with, among others, Shougang Fund and/or its associates which were connected persons of the Company, for the establishment and regulations of the partnerships. Pursuant to such partnership agreements, the First Target Company or its subsidiaries shall provide private fund management services to such partnerships as a general partner or private fund manager. As such partnerships were associates of Shougang Fund, such partnerships became connected persons of the Company upon completion of the First Acquisition. The provision of the private fund management services by the First Target Company or its subsidiaries to such partnerships under the partnership agreements therefore constituted continuing connected transactions of the Company under the Listing Rules upon completion of the First Acquisition.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

(c) Partnership agreements *(continued)*

The principal business of the First Target Company is the provision of private fund management services. The partnership agreements were entered into prior to the First Acquisition and were being carried out in the ordinary course of business of the First Target Company and/or its subsidiaries. As the partnership agreements have remaining terms of between 3 years and 10 years to run, the continuous performance of the partnership agreements is necessary to avoid the First Target Company (or its subsidiaries) defaulting on its obligations upon completion of the First Acquisition.

Details of the partnership agreements were disclosed in the announcement of the Company dated 8 September 2017 pursuant to Rule 14A.60 of the Listing Rules.

(d) Master agreement dated 8 September 2017

In contemplation of the First Target Company and/or its subsidiaries continuing to provide private fund management services to any new partnerships or entities (being associates of Shougang Fund, a connected person of the Company) after completion of the First Acquisition, the Company and Shougang Fund entered into a master agreement on 8 September 2017 (the "2017 Master Agreement"). Pursuant to the 2017 Master Agreement, the Company and/or its subsidiaries will provide private fund management services to Shougang Fund and/or its associates for a term commencing from the completion date of the First Acquisition (i.e. 13 December 2017) and will expire on 31 December 2019.

The transaction amounts under the 2017 Master Agreement during the term of the agreement will not exceed the following annual caps:

	From the commencement date of the 2017 Master Agreement (i.e. 13 December 2017) to 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
	RMB	*RMB*	*RMB*
Provision of private fund management services	10,000,000	180,000,000	250,000,000

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

(d) Master agreement dated 8 September 2017 *(continued)*

Pursuant to the terms of the 2017 Master Agreement, the provision of private fund management service shall be priced between 0.5% and 2% of the capital commitment or the capital contribution of the partnership each year (as determined under the respective partnership agreements) which was determined by reference to and in accordance with the prevailing marketing prices offered by the other private fund management companies for the same and similar scope of service.

The 2017 Master Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 12 October 2017. Details of the continuing connected transactions contemplated under the 2017 Master Agreement were disclosed in the announcement of the Company dated 8 September 2017 and in the circular of the Company dated 25 September 2017.

The continuing connected transactions as set out above during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

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

(b) on normal commercial terms or better; and

(c) according to the relevant agreements governing them on terms that are 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 confirming the matters stated in Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

As far as the transactions as set out in note 42 to the consolidated financial statements under the heading of "Related Party Disclosures" which took place during the year are concerned:

– the transactions set out in note 42(1)(b) were continuing connected transactions which had been approved by the independent shareholders of the Company;

– the transaction set out in note 42(1)(c) was connected transaction which had been disclosed pursuant to the Listing Rules; and

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

– the transactions set out in notes 42(1)(a) and (d), and the transactions set out in note 42(V) with respect to the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group, were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the years set out under the heading of "Related Party Disclosures" did not constitute connected transactions under the Listing Rules.

* *For identification purposes only*

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

(a) Pursuant to the facility letter entered into by the Company on 26 November 2015 (the "Facility Letter") with China CITIC Bank International Limited ("China CITIC") relating to a term loan facility of US$15,000,000 (the "China CITIC Facility"), the Company shall ensure that Shougang Holding, the controlling shareholder of the Company, remains its largest shareholder with shareholding of not less than 35% throughout the life of the China CITIC Facility. Breach of the above will constitute an event of default upon the occurrence of which, China CITIC may at any time (a) cancel the China CITIC Facility; (b) declare that all or any part of the China CITIC Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Letter be immediately due and payable; and/or (c) declare that all or any part of the China CITIC Facility be payable on demand by China CITIC. The China CITIC Facility shall be repaid by the Company in one lump sum on final maturity date which falls on the second anniversary from the date of drawdown of the China CITIC Facility. The China CITIC Facility was repaid by the Company on 30 November 2017.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)

(b) Under the facility letter entered into by the Company on 9 February 2015 with Bank of China (Hong Kong) Limited ("BOC") relating to the banking facilities of (i) a term loan up to US$35,000,000 (the "BOC Facility I"); and (ii) a revolving loan up to US$15,000,000 (the "BOC Facility II") (BOC Facility I and BOC Facility II, collectively the "BOC Facilities"), the Company shall undertake and procure that (i) Shougang Holding, the controlling shareholder of the Company, owns not less than 40% interest in the Company and Shougang Holding in turn shall be wholly-owned by Shougang Corporation (now known as Shougang Group) throughout the life of the BOC Facilities; (ii) Shougang Corporation (now known as Shougang Group) should maintain management control in Shougang Holding; and (iii) Shougang Holding, either directly or through its subsidiaries indirectly, remains the single largest beneficial shareholder of the Company. Breach of any of the above will constitute an event of default upon which all amounts due or owing by the Company to BOC under the BOC Facilities shall become immediately due and payable. The BOC Facility I shall be repaid by the Company by two instalments with the last instalment due on the date falling 42 months after the date of first drawn down of the BOC Facility I while the BOC Facility II shall be repaid or reborrowed by the Company at the end of each interest period provided that each drawdown must be repaid not later than one year from the date of relative drawdown. By a letter from BOC dated 10 August 2016, the BOC Facility II was cancelled and the outstanding principal of the BOC Facility I together with interest accrued shall be repaid by 30 December 2017. The BOC Facility I was repaid by the Company on 17 November 2017.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 41 to 62 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2017 are set out in the Environmental, Social and Governance Report on pages 63 to 81 of this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 46 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Zhao Tianyang
Chairman

Hong Kong, 28 March 2018

Deloitte. 德勤

TO THE MEMBERS OF

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

首長國際企業有限公司

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 116 to 254, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
The purchase price allocation of acquisitions We have identified the purchase price allocation of the acquisitions of Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd. ("Beijing-Hebei") and Shouzhong Investment Management Co., Ltd. ("Shouzhong") as a key audit matter as the valuation of the fair values of the other non-current assets and financial assets at fair value through profit or loss measured using discounted cash flow models which is inherently complex and judgmental due to the level of estimation uncertainty associated with forecasting future cash flows. The management engaged third party qualified valuers to perform the valuation. The inputs with the most significant impact on the valuation that affected the purchase price allocation were projected revenue and expenses, asset lives and discount rates applied to the model. As disclosed in note 35, the Group obtained control over Beijing-Hebei and Shouzhong through an acquisition for the consideration of approximately HK$440,467,000. As part of the acquisition accounting, the Hong Kong Financial Reporting Standards ("HKFRSs") require the purchase price to be allocated to the identifiable assets acquired and liabilities assumed, with the excess to be accounted for as goodwill.	Our procedures in relation to valuation of the purchase price allocation of the consideration for Beijing-Hebei and Shouzhong included: • Understanding the management estimation and judgement and assessing the reasonableness of key assumptions for the preparation of the valuation model based on our knowledge of the business and industry and assessing whether the valuation model applied is appropriate; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Engaging our own internal valuation specialist to challenge, by applying standard industry valuation practice and comparing to the historical trend data and also external market data: – the reasonableness of the underlying valuation methodologies; and – the discount rates used by assessing the input data, such as risk-free rate, equity risk premium and so on of the calculation of the cost of capital for the Group. – Checking, on a sample basis, the reasonableness, appropriateness and relevance of the input data used in the fair value determination of identified assets and liabilities at the acquisition date.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of assets relating to commodity contracts	
We have identified the valuation of assets relating to commodity contracts as a key audit matter due to the fact that a significant degree of management judgement is required in determining the fair value of the commodity forward contracts and, its significance to the consolidated financial statements. The management has determined the valuation of assets relating to commodity contracts with reference to a valuation report prepared by an independent qualified professional valuer not connected with the Group based on the discounted cash flow model. A discounted cash flow model is used for determination of the fair value of assets relating to commodity contracts, in which the key assumptions include the spread between the capesize vessel freight rate and the panamax vessel freight rate for Australia/China, the average growth rate of the capsize vessel freight rate and panamax vessel freight rate, the forecasted Platts Iron Ore price, the forecasted marketing commission saving, the forecasted annual production of the mines, the lives of mines and the discount rate, as disclosed in notes 4 and 33c. The management concludes that valuation of assets relating to commodity contracts is fairly stated.	Our procedures in relation to valuation of assets relating to commodity contracts included: • Understanding the management estimation and judgement and assessing the reasonableness of key assumptions based on our knowledge of the business and industry; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Evaluating the appropriateness and reasonableness of the discount cash flow model and its key assumptions, including the spread between the capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of capsize vessel freight rate and panamax vessel freight rate, the forecasted Platts Iron Ore price, the forecasted marketing commission saving, the forecasted annual production of the mines, the lives of mines and the discount rate and checking its mathematical accuracy; and • Evaluating the sensitivity analysis on those assumptions and key inputs prepared by management to assess the extent of impact on the discounted cash flow model.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in an associate We have identified the impairment assessment of interest in Shougang Fushan Resources Group Limited ("Shougang Resources"), an associate of the Group which is engaged in coking coal mining, production and sales of coking coal products as a key audit matter due to the estimation uncertainty and significant management judgement involved in the impairment assessment and, its significance to the consolidated financial statements. Determining the amount of impairment of interest in Shougang Resources requires an estimation of the recoverable amount, which is the value in use derived by the discounted cash flow model prepared by the management. The key assumptions of the discounted cash flow model include the budgeted sales, gross margin and the discount rates. This required significant management judgement in relation to the assumptions and critical judgements considered in the future operating plans of Shougang Resources. As disclosed in notes 4 and 18, the carrying value of the Group's interests in Shougang Resources as at 31 December 2017 was approximately HK$4,634,344,000, in which approximately HK$1,048,488,000 is the goodwill. The management concludes that no impairment loss in relation to the interest in Shougang Resources needs to be recognised.	Our procedures in relation to the impairment assessment of interest in an associate included: • Understanding the management estimation and judgement and assessing the reasonableness of key assumptions based on our knowledge of the business and industry; • Assessing the appropriateness and reasonableness of the key assumptions, which include the budgeted sales, gross margin and the discount rates prepared by the management and critical judgements used by management by comparing management's past estimates and plans, the current year's estimates and plans and taking into account the future operating plans; • Evaluating the sensitivity analysis on those assumptions and key inputs prepared by management to assess the extent of impact on the discounted cash flow model; and, • Evaluating the appropriateness of the model prepared by the management and assess the accuracy of mathematical calculation on the model.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	5	**3,816,145**	1,035,606
Cost of sales		**(3,807,035)**	(986,212)
Gross profit		**9,110**	49,394
Other income	6	**6,501**	7,683
Other gains and losses	7	**(147,197)**	(146,352)
Administrative expenses		**(42,261)**	(58,958)
Finance costs	8	**(17,392)**	(31,036)
Impairment loss on interest in an associate	18	**–**	(257,000)
Share of results of associates		**248,525**	9,118
Profit (loss) before taxation		**57,286**	(427,151)
Income tax expense	9	**–**	(49,064)
Profit (loss) for the year from continuing operations	10	**57,286**	(476,215)
Discontinued operations			
Loss for the year from discontinued operations	34	**–**	(1,478,005)
Profit (loss) for the year		**57,286**	(1,954,220)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**–**	402,032
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		**–**	(51,815)
Share of exchange differences of an associate arising on translation to presentation currency		**38,358**	(35,927)
Share of fair value gain on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**42,813**	50,445
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**176,760**	(139,772)
Other comprehensive income for the year		**257,931**	224,963
Total comprehensive income (expense) for the year		**315,217**	(1,729,257)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to owners of the Company:			
– from continuing operations		**57,286**	(476,215)
– from discontinued operations		**–**	(1,144,947)
		57,286	(1,621,162)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**–**	–
– from discontinued operations		**–**	(333,058)
		–	(333,058)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**315,217**	(1,479,135)
Non-controlling interests		**–**	(250,122)
		315,217	(1,729,257)
			(Restated)
Earnings (loss) per share	13		
From continuing and discontinued operations			
– Basic and diluted		**0.56 HK cent**	(17.94) HK cents
From continuing operations			
– Basic and diluted		**0.56 HK cent**	(5.27) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Investment properties	14	**6,900**	6,000
Property, plant and equipment	15	**4,850**	2,246
Interests in associates	18	**5,073,079**	4,654,460
Interest in a joint venture	19	**81,299**	–
Equity instruments	20	**–**	783
Deferred tax assets	29	**35,212**	32,291
Assets relating to commodity contracts	24	**151,244**	181,716
Financial assets at fair value through profit or loss – non-current	21	**121,596**	–
Other non-current assets	16	**208,495**	–
		5,682,675	4,877,496
CURRENT ASSETS			
Trade and bills receivables	22	**823,704**	394,779
Trade receivables from related companies	23	**–**	8,704
Prepayments, deposits and other receivables	22	**74,602**	5,414
Amounts due from related companies	23	**398**	456
Amounts due from associates	23	**8**	26
Financial assets at fair value through profit or loss – current	21	**114,676**	–
Restricted bank deposits	25	**618**	–
Pledged bank deposits	25	**–**	23,073
Time deposits with original maturity over three months	26	**100,000**	–
Bank balances and cash	26	**1,389,628**	537,488
		2,503,634	969,940
CURRENT LIABILITIES			
Trade and bills payables	27	**569,191**	276,093
Trade payable to a related company	23	**–**	8,212
Other payables, provision and accrued liabilities	27	**95,895**	48,831
Liabilities relating to commodity contracts	24	**91,989**	–
Tax payable		**160,408**	192,307
Bank borrowings	28	**–**	616,783
		917,483	1,142,226
NET CURRENT ASSETS (LIABILITIES)		**1,586,151**	(172,286)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,268,826**	4,705,210

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	**25,174**	–
NET ASSETS		**7,243,652**	4,705,210
CAPITAL AND RESERVES			
Share capital	30	**7,349,545**	5,345,183
Reserves		**(324,756)**	(639,973)
Equity attributable to owners of the Company		**7,024,789**	4,705,210
Non-controlling interests		**218,863**	–
TOTAL EQUITY		**7,243,652**	4,705,210

The consolidated financial statements on pages 116 to 254 were approved and authorised for issue by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Zhao Tianyang
DIRECTOR

Liang Hengyi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Attributable to owners of the Company											
	Share capital HK$'000	Capital contribution reserve HK$'000	Revaluation reserve HK$'000 (Note a)	Exchange reserve HK$'000	Share option reserve HK$'000	Enterprise expansion fund and statutory reserve fund HK$'000 (Note b)	Security investment reserve HK$'000	Non-distributable reserve HK$'000 (Note c)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	5,345,183	–	28,338	1,152,585	289,560	726,572	(836,485)	51,979	(5,421,420)	1,336,312	(1,116,374)	219,938
Loss for the year	–	–	–	–	–	–	–	–	(1,621,162)	(1,621,162)	(333,058)	(1,954,220)
Exchange differences arising on translation	–	–	–	306,662	–	–	–	–	–	306,662	95,370	402,032
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	–	(39,381)	–	–	(39,381)	(12,434)	(51,815)
Share of other comprehensive (expense) income of associates	–	–	–	(175,699)	–	–	50,445	–	–	(125,254)	–	(125,254)
Total comprehensive income (expense) for the year	–	–	–	130,963	–	–	11,064	–	(1,621,162)	(1,479,135)	(250,122)	(1,729,257)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(658)	(658)
Disposal of subsidiaries (note 34)	–	4,848,033	(28,338)	(1,244,914)	–	(726,572)	104,807	(51,979)	1,946,996	4,848,033	1,367,154	6,215,187
At 31 December 2016	5,345,183	4,848,033	–	38,634	289,560	–	(720,614)	–	(5,095,586)	4,705,210	–	4,705,210
Profit for the year	–	–	–	–	–	–	–	–	57,286	57,286	–	57,286
Share of other comprehensive income of associates	–	–	–	215,118	–	–	42,813	–	–	257,931	–	257,931
Total comprehensive income for the year	–	–	–	215,118	–	–	42,813	–	57,286	315,217	–	315,217
Ordinary shares issued	2,015,527	–	–	–	–	–	–	–	–	2,015,527	–	2,015,527
Transaction costs attributable to issue of new ordinary shares	(11,165)	–	–	–	–	–	–	–	–	(11,165)	–	(11,165)
Acquisitions of subsidiaries (note 35)	–	–	–	–	–	–	–	–	–	–	218,863	218,863
At 31 December 2017	7,349,545	4,848,033	–	253,752	289,560	–	(677,801)	–	(5,038,300)	7,024,789	218,863	7,243,652

Notes:

(a) Revaluation reserve represented the fair value recognised on prepaid lease rentals for the original equity interest held, which is 51%, upon the step-up acquisition of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") in 2005. Revaluation reserve was released to accumulated losses upon disposal of subsidiaries in 2016.

(b) Enterprise expansion fund and statutory reserve fund, which are non-distributable, are appropriated from the profit after tax of the Company's subsidiaries under the applicable laws and regulations in the People's Republic of China (other than Hong Kong). Enterprise expansion fund and statutory reserve fund were released to accumulated losses upon disposal of subsidiaries in 2016.

(c) Non-distributable reserve represented the capitalisation of the dividends paid out of the enterprise expansion fund and statutory reserve fund. Non-distributable reserve was released to accumulated losses upon disposal of subsidiaries in 2016.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		**57,286**	(1,954,220)
Adjustments for:			
Interest income		**(6,501)**	(22,374)
Interest expenses		**17,392**	509,136
Income tax expenses		**–**	45,565
Exchange difference		**7,838**	–
Share of results of associates		**(248,525)**	(9,763)
Gain from changes in fair value of investment properties		**(900)**	(363)
Loss on disposal of property, plant and equipment		**–**	54
Depreciation of property, plant and equipment		**259**	832,120
Amortisation of prepaid lease rentals		**–**	7,416
Net losses relating to commodity contracts		**122,461**	131,136
Reversal of for inventories, net		**–**	(251,390)
Allowance for trade and other receivables, net		**25,227**	26,566
Impairment loss on interest in an associate		**–**	257,000
Reversal of trade payable to a related party		**(8,212)**	–
Operating cash flows before movements in working capital		**(33,675)**	(429,117)
Decrease in inventories		**–**	366,309
Increase in trade and bills receivables		**(447,742)**	(483,624)
Increase in prepayments, deposits and other receivables		**(26,102)**	(16,844)
Decrease in trade receivables from related companies		**8,704**	95,644
Increase in trade receivable from ultimate holding company of a shareholder		**–**	(6,833)
Increase in trade and bills payables		**290,615**	706,240
(Decrease) increase in other payables, provision and accrued liabilities		**(11,162)**	270,875
Increase in trade payable to ultimate holding company of a shareholder		**–**	101,184
Decrease in trade payables to related companies		**–**	(2,462)
Cash (used in) generated from operations		**(219,362)**	601,372
Interest paid		**(17,392)**	(502,019)
Income taxes paid		**–**	(200)
Purchase of tax certificates	9	**(48,343)**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(285,097)**	99,153

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Acquisitions of subsidiaries, net of cash acquired	35	**(268,721)**	–
Dividends received from associates		**87,838**	292,792
Withdrawal of pledged bank deposits		**33,073**	313,076
Interest received		**6,501**	22,374
Repayment from associates		**18**	4,827
Repayment from related companies		**456**	–
Advance to related companies		**(398)**	–
Placement of time deposits with original maturity over three months		**(100,000)**	–
Placement of pledged bank deposits		**(10,000)**	(59,659)
Withdrawal of restricted bank deposits		**44,557**	161,170
Placement of restricted bank deposits		**(45,175)**	–
Purchase of property, plant and equipment		**(366)**	(181,995)
Net cash outflow from disposal of subsidiaries	34	**–**	(131,838)
Deposits paid for acquisition of property, plant and equipment		**–**	(8,247)
Purchase of investment properties		**–**	(279)
Proceeds from disposal of property, plant and equipment		**–**	2,772
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(252,217)**	414,993
FINANCING ACTIVITIES			
New bank borrowings raised		**3,483,936**	5,670,441
Net proceeds from issue of ordinary shares		**2,004,362**	–
Repayment of bank borrowings		**(4,105,090)**	(6,954,522)
New loans granted by ultimate holding company of a shareholder		**–**	705,347
Advance on discounted bills		**–**	158,547
Advance from related companies		**–**	133,092
Advance from ultimate holding company of a shareholder		**–**	2,192
Repayment to related companies		**–**	(197,266)
Repayment to ultimate holding company of a shareholder		**–**	(1,863)
Dividends paid to non-controlling shareholders of a subsidiary		**–**	(658)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,383,208**	(484,690)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**845,894**	29,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**537,488**	519,474
Effect of foreign exchange rate changes		**6,246**	(11,442)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**1,389,628**	537,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's controlling shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 55% equity interest in the Company as at 31 December 2017, and the ultimate and immediate holding company of Shougang HK is Shougang Group Co., Ltd. (formerly known as Shougang Corporation), a company established in the People's Republic of China (the "PRC"). 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 10% equity interest in the Company held by Shougang Group's subsidiary, Beijing Shougang Funds Co., Ltd., the total equity interest in the Company held by Shougang Group is approximately 65%. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries, associates and joint venture are set out in note 44.

Subsequent to the disposal of subsidiaries on 30 December 2016 as set out in note 34, the directors of the Company (the "Directors") re-assessed the functional currency of the Company. The directors determined to change the functional currency from Renminbi ("RMB") to Hong Kong dollars ("HK$") with effect from 30 December 2016 after taking into consideration of the primary economic environment of the Company's main operations. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effects of Changes in Foreign Exchange Rates*. The consolidated financial statements are also presented in HK$.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Other than disclosed below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed; (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchanges rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)—Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)—Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014—2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015—2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 Financial Instruments

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

In terms of the amendments, the listed and unlisted equity securities that were previously classified as available-for-sale investments have been classified as equity instruments designated as at FVTOCI. The Group has chosen to designate these investments in equity instruments as at FVTOCI as the management believes that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value in profit or loss. Debt instruments are held within a business model whose objective is collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Accordingly, the debt instruments continued to be measured at amortised cost upon the application of HKFRS 9.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 *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.

Based on the Group's risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on the initial application of HKFRS 9:

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provision upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses at 1 January 2018.

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* ("HKAS 17") and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents the operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$11,485,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

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

HKFRS 16 Leases (continued)

In addition, the Group currently considers refundable rental deposits paid of HK$1,363,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment* ("HKFRS 2"), leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS36").

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are 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 loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and a joint venture (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and event in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and a joint venture (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group account for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassified the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Acquisition of an associate achieved in stages prior to 1 January 2010

For acquisition of associates through successive share purchases and for which the investment was previously accounted for as available-for-sale investments with changes in fair value included in other comprehensive income, cumulative changes in the fair value of previously held ownership interests are reversed through other comprehensive income when the Group has significant influence in the investee.

Any excess of the initial cost of acquisition of the investee over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired on the date of exchange transaction is recognised as goodwill, which is included within the carrying amount of the investment in associate and is assessed for impairment as part of investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired over the initial recognised cost of acquisition of the investee on the date of exchange transaction, after reassessment, is recognised immediately in profit or loss.

The changes in the investee's accumulated profits and other equity balances from the date the investment was initially acquired up to the date the investment becomes an associate of the Group are included in accumulated profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates and a joint venture (continued)

Acquisition of additional interest in an associate

Any excess of the cost of acquisition of additional equity interest over the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities of the associate attributable to the additional equity interest acquired is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net asset value of the identifiable assets, liabilities and contingent liabilities attributable to the additional equity interest acquired over the cost of acquisition of additional equity interest, after reassessment, is recognised immediately in profit or loss.

Interests in subsidiaries

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliability measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the rights to receive payment have been established.

Rental income from letting of properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or service, or for administrative purpose other than properties under construction as described below, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the costs of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate or a joint venture that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liability assumed through acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes/the mandatory provident fund scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Financial assets at amortised cost

Debt instruments and hybrid contracts that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the other income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets at fair value through profit or loss ("FVTPL")

Investments in equity instruments are classified as at FVTPL, unless the Group designates such investment that is not held for trading as FVTOCI on initial recognition.

A financial asset is held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in other gains and losses.

(iii) Financial assets at FVTOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity instruments is held for trading.

Investments in equity instruments at FVTOCI 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.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held for trading as at FVTOCI on initial application of HKFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in other income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(b) Impairment losses of financial assets

Financial assets, other than those at FVTPL and FVTOCI, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the credit period of not more than 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables, trade receivables from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, other receivable or trade receivable from related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, except for a financial asset that is classified as at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity reserve is recognised in profit or loss.

On derecognition of a financial asset that is classified as at FVTOCI, the cumulative gain or loss previously accumulated in the security investment reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

(d) Financial liabilities and equity instruments

(i) Classification and measurement

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(1) Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(d) Financial liabilities and equity instruments (continued)

(i) Classification and measurement (continued)

(2) Financial liabilities

Financial liabilities (including trade and bills payables, trade payables to related companies, other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(ii) Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Forward contracts to acquire an associate or additional interests in an existing associate at a future acquisition date are accounted for as derivative financial instruments. Changes in fair value of such contracts are recognised in profit or loss up to the completion of the acquisition.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments are recognised as derivative financial instruments with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Financial guarantee contracts

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

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset is belonged. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services recorded is determined by reference to the fair value of share options granted at the date of grant, without taking into consideration all non-market vesting conditions, and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimate of the number of options that are expected to ultimately vest based on assessment of all relevant non-marketing vesting conditions. The impact of the revision of original estimates, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate with a corresponding adjustment to share option reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in the share option reserve.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Shouzhong Investment Management Co., Ltd. ("Shouzhong")

Note 44 describes that Shouzhong is a subsidiary of the Group although the Group has only approximately 44.94% equity interest and voting rights in Shouzhong as of 31 December 2017. Shouzhong is a private company incorporated in the PRC. The remaining equity interest of approximately 55.06% are owned by several parties that are unrelated to the Group.

The Directors assessed whether or not the Group has control over Shouzhong based on whether the Group has the practical ability to direct the relevant activities of Shouzhong unilaterally. In making their judgement, the Directors mainly considered (i) the composition of the board of directors of Shouzhong which the Group has the right to nominate three out of the five members of the board of directors; (ii) the board of directors of Shouzhong has been granted with the highest authority for decision making and can direct the relevant activities of Shouzhong pursuant to the memorandum and articles of association of Shouzhong; (iii) which any amendments to the memorandum and articles of association are subject to mutual agreement from all directors of Shouzhong. After the assessment, the Directors conclude that the Group has sufficiently dominant voting interest to direct the relevant activities of Shouzhong and therefore the Group has control over Shouzhong.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amount of trade receivables is HK$296,822,000 (2016: Nil), net of allowance for doubtful debts of HK$27,475,000 (2016: HK$2,248,000).

The movement in the allowance for doubtful debts recognised during the year is set out in note 22.

Impairment of interests in associates

The carrying amount of interests in associates amounting to HK$5,073,079,000 (2016: HK$4,654,460,000) is reviewed for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount which is the higher of value in use and fair value less costs of disposal. The value in use is based on the estimations of future expected cash flows from the associates and a suitable discount rate. Where the actual future cash flows are less than or more than expected, or there are unfavourable events and changes in facts and circumstances which result in downward revision of future estimated cash flows, a material impairment loss may arise or reverse. No impairment loss has been recognised in respect of interests in associates for the year ended 31 December 2017 (for the year ended 31 December 2016: impairment loss of HK$257,000,000 recognised). Details of the recoverable amount calculation for interests in associates are disclosed in note 18.

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

Key sources of estimation uncertainty (continued)

Income taxes

No deferred tax asset has been recognised in respect of tax losses of approximately HK$515 million of which HK$316 million is subject to confirmation by Hong Kong Inland Revenue Department ("IRD") (2016: HK$397 million, of which HK$310 million was subject to confirmation by IRD) due to the unpredictability of future profit streams. In cases where probable taxable profit will be available against which the deductible temporary differences can be utilised and the amounts are confirmed by the IRD, a deferred tax asset may be recognised.

Fair value and classification of assets relating to commodity contracts

On 24 October 2014, Mount Gibson Iron Limited ("MGI") announced that there was a slump in the main pit in Koolan Island ("Main Pit") seawall in Koolan Island and the Main Pit was inundated as a result of the breach of the seawall (the "Slump"). Subsequent to the Slump, the production of the Koolan Island mine was suspended. On 27 April 2017, management of MGI announced its plan to restart the Koolan Island mine and the first iron ore sales are targeted to commence in early 2019.

The Directors consider that the production of iron ore in Main Pit is unlikely to resume within the next twelve months, and therefore the entire carrying amount of the commodity contracts (the "First Commodity Contracts") is classified as non-current asset as at 31 December 2017.

The fair value of First Commodity Contracts stated in the statement of financial position is determined by the present value of future cash flows estimated in the valuation model and the fair value for the First Commodity Contracts to purchase iron ore is established by using valuation techniques. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of those that developed the valuation techniques. However, it should be noted that some inputs, such as forecasted Platts Iron Ore price, the forecasted annual production of the mines, the lives of the mines, the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of capsize vessel freight rate and panama vessel freight rate, the forecasted marketing commission saving and a discount rate of 19.97% (2016: 19.49%), require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the First Commodity Contracts. The carrying amount of the First Commodity Contracts is HK$151,244,000 (2016: HK$181,716,000). Details of the First Commodity Contracts are disclosed in note 24.

5. REVENUE AND SEGMENT INFORMATION

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

	2017	2016
	HK$'000	HK$'000
Continuing operations		
Sale of iron ore	**3,812,329**	921,970
Sale of other steel related products	**–**	110,014
Management services and leasing income	**3,816**	3,622
	3,816,145	1,035,606
Discontinued operations		
Sale of steel products (note 34)	**–**	6,262,980
	3,816,145	7,298,586

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 steel products and iron ore;
Car park operation	–	provision of management services on car park; and
Private fund management	–	provision of fund management of private funds.

Business activities are combined and disclosed in "Others" segment category including the provision of management service and leasing income.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

As a result of the completion of the acquisitions as set out in note 35 (the "Acquisitions"), the chief operating decision makers have added a car park operation segment and a private fund management segment to the segment presentation as at 31 December 2017. However, no segment revenue and results related to the car park operation segment and private fund management segment is presented as the completion of the Acquisitions was just before 31 December 2017.

The segment of steel manufacturing was discontinued in 2016 and details are set out in note 34.

Segment revenue and results

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

Continuing operations

For the year ended 31 December 2017

	Trading business HK$'000	Others HK$'000	Total HK$'000
Revenue			
External sales	3,812,329	3,816	3,816,145
Segment revenue	3,812,329	3,816	3,816,145
Segment loss	(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 taxation from continuing operations			57,286

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Continuing operations (continued)

For the year ended 31 December 2016

	Trading business HK$'000	Others HK$'000	Total HK$'000
Revenue			
External sales	1,031,984	3,622	1,035,606
Inter-segment sales	95,844	–	95,844
Segment revenue from continuing operations	1,127,828	3,622	1,131,450
Eliminations			(95,844)
Group revenue			1,035,606
Segment profit (loss)	20,470	(9,764)	10,706
Other income			7,680
Central administration costs			(35,483)
Net losses relating to commodity contracts			(131,136)
Finance costs			(31,036)
Impairment loss on interest in an associate			(257,000)
Share of results of associates			9,118
Loss before taxation from continuing operations			(427,151)

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, net losses relating to commodity contracts, finance costs, impairment loss on interest in an associate and share of results of associates. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2017 HK$'000	2016 HK$'000
Segment assets		
Trading business	**996,066**	587,579
Car park operation	**168,093**	–
Private fund management	**214,016**	–
Others	**13,216**	11,280
Total segment assets	**1,391,391**	598,859
Interests in associates	**5,073,079**	4,654,460
Interest in a joint venture	**81,299**	–
Deferred tax assets	**35,212**	32,291
Equity instruments	**–**	783
Financial assets at fair value through profit or loss	**114,676**	–
Amounts due from related companies — non-trade	**398**	456
Amounts due from associates — non-trade	**8**	26
Restricted bank deposits	**618**	–
Pledged bank deposits	**–**	23,073
Time deposits with original maturity over three months	**100,000**	–
Bank balances and cash	**1,389,628**	537,488
Consolidated assets	**8,186,309**	5,847,436

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	2017 HK$'000	2016 HK$'000
Segment liabilities		
Trading business	**693,070**	327,745
Car park operation	**49,279**	–
Private fund management	**12,544**	–
Others	**2,182**	5,391
Total segment liabilities	**757,075**	333,136
Bank borrowings	**–**	616,783
Tax payable	**160,408**	192,307
Deferred tax liabilities	**25,174**	–
Consolidated liabilities	**942,657**	1,142,226

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2017

	Trading business HK$'000	Others HK$'000	Total HK$'000
Continuing operations			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (Note)	215	151	366
Depreciation of property, plant and equipment	35	224	259
Allowance for (reversal of) impairment loss for trade receivables, net	25,247	(20)	25,227
Increase in fair value of investment properties	–	(900)	(900)

2016

	Trading business HK$'000	Others HK$'000	Total HK$'000
Continuing operations			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (Note)	16	352	368
Depreciation of property, plant and equipment	12	255	267
Loss on disposal of property, plant and equipment	3	1	4
Reversal of impairment loss for trade receivables, net	–	(20)	(20)
Increase in fair value of investment properties	–	(321)	(321)

Note: Non-current assets exclude those assets arising from the acquisitions as detailed in note 35 and financial assets at fair value through profit or loss-non-current, assets relating to commodity contracts and deferred tax assets.

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major products and services

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

	2017 HK$'000	2016 HK$'000
Continuing operations		
Iron ore	**3,812,329**	921,970
Other steel related products	**–**	110,014
Management services and leasing income	**3,816**	3,622
	3,816,145	1,035,606

Geographical information

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

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

	Revenue from external customers from continuing operations		Non-current assets (Note)	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
PRC, excluding Hong Kong (country of domicile)	**3,812,329**	1,031,984	**413,888**	–
Hong Kong	**3,816**	3,622	**5,082,331**	4,662,706
	3,816,145	1,035,606	**5,496,219**	4,662,706

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A[1]	N/A[2]	202,642
Customer B[1]	N/A[2]	111,489
Customer C[1]	399,963	N/A[2]

[1] Revenue from trading business.

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

6. OTHER INCOME

Continuing operations

	2017 HK$'000	2016 HK$'000
Interest income on bank deposits	6,501	7,680
Sundry income	–	3
	6,501	7,683

7. OTHER GAINS AND LOSSES

Continuing operations

	2017 HK$'000	2016 HK$'000
Loss on disposal of property, plant and equipment	–	(4)
Net losses relating to commodity contracts (Note)	(122,461)	(131,136)
Net foreign exchange loss	(7,838)	(15,553)
Gain from changes in fair value of investment properties	900	321
(Allowance for) reversal of impairment loss for trade receivables, net	(25,227)	20
Reversal of trade payable to a related party	8,212	–
Others	(783)	–
	(147,197)	(146,352)

Note: For the year ended 31 December 2017, in addition to the net loss relating to commodity contracts of approximately HK$122,461,000, losses of approximately HK$45,419,000 relating to iron ore commodity contract in which the Group took delivery and sold during the year have been included in cost of sales.

8. FINANCE COSTS

Continuing operations

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings	17,392	31,036

9. INCOME TAX EXPENSE

Continuing operations

	2017 **HK$'000**	2016 HK$'000
Current tax:		
– Hong Kong	**–**	–
Under-provision in prior years:		
– Hong Kong (Note)	**–**	49,064
Income tax expense	**–**	49,064

Hong Kong profits tax is calculated at 16.5% of the assessable profit for both years.

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 2017.

Note: In 2016, the amount includes 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 has 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 has lodged an objection against the Assessment, provision for prior years' Hong Kong profits tax of HK$49,061,000 has been made as the management of the Group is uncertain about the probability of the success of the objection.

In 2017, the abovementioned tax objection has not yet been resolved, resulting in the tax certificates of approximately HK$48,343,000 has been purchased as requested by the Inland Revenue Department.

9. INCOME TAX EXPENSE (continued)

Continuing operations (continued)

The tax expense for the year can be reconciled to the profit (loss) before taxation from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
Profit (loss) before taxation	**57,286**	(427,151)
Taxation at the income tax rate of 16.5% (2016: 16.5%) (Note)	**9,452**	(70,480)
Tax effect of share of results of associates	**(41,007)**	(1,505)
Tax effect of expenses not deductible for tax purposes	**13,338**	82,514
Tax effect of income not taxable for tax purposes	**(2,079)**	(13,827)
Tax effect of tax loss not recognised	**21,822**	4,650
Tax effect of utilisation of tax losses previously not recognised	**(1,504)**	(1,352)
Tax effect of deductible temporary difference not recognised	**(22)**	–
Under-provision in respect of prior years	**–**	49,064
Tax expense for the year	**–**	49,064

Note: As set out in note 34, subsequent to the completion of the Disposal, the management of the Group considers to apply the Hong Kong profits tax rate of 16.5% for the computation of the income tax expense as the major operations of the Group are in Hong Kong.

10. PROFIT (LOSS) FOR THE YEAR

Continuing operations

	2017 HK$'000	2016 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**20,002**	20,652
– retirement benefits scheme contributions	**864**	925
	20,866	21,577
Depreciation of property, plant and equipment	**259**	267
Auditor's remuneration	**1,996**	3,837
Cost of inventories recognised as an expense	**3,786,455**	967,704
Gross rental income from investment properties	**(216)**	(23)
Minimum lease payments under operating leases in respect of land and buildings	**4,798**	4,565
Service and management fees charged by Shougang Group (included in related party transactions as disclosed in note 42)	**960**	960

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and Chief Executive's emoluments

The emoluments paid or payable to each of the eight (2016: ten) Directors were as follows:

	Executive Directors of the Company			Non-executive Directors of the Company		Independent Non-executive Directors of the Company			
	Li Shaofeng HK$'000	Ding Rucai HK$'000 (Note a)	Shu Hong HK$'000	Zhang Bingcheng HK$'000 (Note b)	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2017 HK$'000
2017									
Fees	–	–	–	–	230	330	330	330	1,220
Other emoluments									
Salaries and other benefits	–	–	2,400	–	–	–	–	–	2,400
Contributions to retirement benefit scheme	–	–	18	–	–	–	–	–	18
Total emoluments	–	–	2,418	–	230	330	330	330	3,638

	Executive Directors of the Company			Non-executive Directors of the Company				Independent Non-executive Directors of the Company			
	Li Shaofeng HK$'000	Ding Rucai HK$'000	Shu Hong HK$'000	Zhang Gongyan HK$'000 (Note c)	Zhang Bingcheng HK$'000 (Note b)	Ip Tak Chuen, Edmond HK$'000 (Note d)	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2016 HK$'000
2016											
Fees	–	–	–	99	–	150	230	330	330	330	1,469
Other emoluments											
Salaries and other benefits	–	–	2,400	–	–	–	–	–	–	–	2,400
Contributions to retirement benefit scheme	–	–	18	–	–	–	–	–	–	–	18
Total emoluments	–	–	2,418	99	–	150	230	330	330	330	3,887

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and Chief Executive's emoluments (continued)

Notes:

(a) According to the announcement of the Company dated 5 January 2018, Mr. Ding Rucai has resigned as an Executive Director and Deputy Managing Director of the Company with effect from 6 January 2018.

(b) According to the announcement of the Company dated 1 August 2016, Mr. Zhang Bingcheng has been appointed as a Non-executive Director of the Company and the Chairman of the Board with effect from 1 August 2016. According to the announcement of the Company dated 5 January 2018, Mr. Zhang Bingcheng has resigned as a Non-executive Director of the Company and the Chairman of the Board with effect from 6 January 2018.

(c) According to the announcement of the Company dated 1 August 2016, Mr. Zhang Gongyan has resigned as a Non-executive Director of the Company and the Chairman of the Board with effect from 1 August 2016.

(d) According to the announcement of the Company dated 23 December 2016, Mr. Ip Tak Chuen, Edmond has resigned as a Non-executive Director of the Company with effect from 1 January 2017.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Mr. Li Shaofeng, the Managing Director of the Company, has overall chief executive responsibility for the Group's business development and day-to-day management generally and his emoluments disclosed above include those for services rendered by him as the Managing Director. Mr. Li Shaofeng has voluntarily waived his monthly salary of HK$315,000 since 1 March 2014.

No emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, which including Mr. Shu Hong, (2016: one, Mr. Shu Hong) was Director whose emoluments are included in the disclosures in note 11(a) above. The emoluments of the remaining four (2016: four) individuals are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**5,098**	5,098
Contributions to retirement benefit schemes	**226**	226
	5,324	5,324

Their emoluments were within the following band:

	2017 **No. of** **employees**	2016 No. of employees
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2017 and 2016.

13. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2017 HK$'000	2016 HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
Earnings (loss) for the year attributable to owners of the Company	**57,286**	(1,621,162)

	2017	2016 (Restated) (Note)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**10,155,814,158**	9,036,820,423

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market prices.

For the year ended 31 December 2016, the computation of diluted loss per share does not assume the exercise of the share options, as it would result in a decrease in loss per share.

13. EARNINGS (LOSS) PER SHARE (continued)

From continuing operations

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

	2017	2016
	HK$'000	HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
Earnings (loss) for the year attributable to owners of the Company	**57,286**	(476,215)

	2017	2016
		(Restated)
		(Note)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**10,155,814,158**	9,036,820,423

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market prices.

For the year ended 31 December 2016, the computation of diluted loss per share does not assume the exercise of the share options, as it would result in a decrease in loss per share.

Note: Upon completion of the Open Offer of the Company on 16 November 2017 (as defined in note 30), the Company issued 8,957,896,227 shares at the subscription price of HK$0.225. The earnings (loss) per share and the weighted average number of ordinary shares for 2016 have been adjusted for the bonus element in the Open Offer.

14. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2016	38,818
Additions	279
Exchange adjustments	(2,173)
Change in fair value recognised in profit or loss	363
Disposal of subsidiaries (note 34)	(31,287)
At 31 December 2016	6,000
Change in fair value recognised in profit or loss	900
At 31 December 2017	6,900

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

The fair value of the investment properties located in Hong Kong as at 31 December 2017 and 2016 has been arrived at on the basis of a valuation carried out on the respective dates by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. AA Property Services Limited is a member of the Hong Kong Institute of Surveyors.

14. INVESTMENT PROPERTIES (continued)

The fair value was determined based on the investment approach by reference to the capitalisation of the rental income receivable with due allowance for reversionary income potential. The key inputs to the investment approach used in valuing the investment property which is situated in Hong Kong and held under long-term lease are the monthly rental income of HK$18,000 (2016: HK$18,000), the term rate of 3% (2016: 3%) and reversionary rate of 3.5% (2016: 3.5%). An increase in the rental income used would result in an increase in fair value measurement of the investment property, and vice versa. An increase in the term rate used would result in a decrease in fair value measurement of the investment property, and vice versa. An increase in the reversionary rate used would result in a decrease in fair value measurement of the investment property, and vice versa.

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

The fair value measurement of the investment properties located in HK are categorised into level 3 as the significant inputs to the fair value measurement are unobservable.

There were no transfers into or out of level 3 during the year. The carrying amounts of investment properties shown above are situated in:

	2017	2016
	HK$'000	HK$'000
Hong Kong and held under long-term lease	**6,900**	6,000

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structure HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2016	4,605,895	62,340	134,347	11,792,732	317,987	307,239	17,220,540
Exchange adjustments	(299,279)	(3,792)	(8,550)	(766,185)	(20,493)	(20,472)	(1,118,771)
Additions	951	–	183	78,942	–	117,585	197,661
Transfer	44,538	–	–	69,239	–	(113,777)	–
Disposals	(2,645)	–	(5,719)	(4,326)	(1,043)	–	(13,733)
Disposal of subsidiaries (note 34)	(4,349,460)	(54,571)	(117,628)	(11,170,402)	(293,850)	(290,575)	(16,276,486)
At 31 December 2016	–	3,977	2,633	–	2,601	–	9,211
Additions	–	103	263	–	–	–	366
Disposals	–	–	(1)	–	–	–	(1)
Acquired on acquisitions of subsidiaries (note 35)	–	–	2,497	–	–	–	2,497
At 31 December 2017	–	4,080	5,392	–	2,601	–	12,073
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2016	1,285,591	41,519	105,269	6,233,111	315,699	–	7,981,189
Exchange adjustments	(85,919)	(2,582)	(6,770)	(437,744)	(20,365)	–	(553,380)
Provided for the year	147,603	245	2,603	681,044	625	–	832,120
Eliminated on disposals	(130)	–	(5,718)	(4,049)	(1,010)	–	(10,907)
Disposal of subsidiaries (note 34)	(1,347,145)	(37,209)	(92,993)	(6,472,362)	(292,348)	–	(8,242,057)
At 31 December 2016	–	1,973	2,391	–	2,601	–	6,965
Provided for the year	–	150	109	–	–	–	259
Eliminated on disposals	–	–	(1)	–	–	–	(1)
At 31 December 2017	–	2,123	2,499	–	2,601	–	7,223
CARRYING VALUES							
At 31 December 2017	–	1,957	2,893	–	–	–	4,850
At 31 December 2016	–	2,004	242	–	–	–	2,246

During the year ended 31 December 2017, no plant and equipment has been purchased from Shougang Group (2016: HK$89,021,000).

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Buildings and structure	2% to 4%, or over the terms of the leases, whichever is shorter
Leasehold improvements	4% to 25%, or over the terms of the leases, whichever is shorter
Furniture, fixtures and equipment	15% to 33%
Plant and machinery	3.6% to 10%
Motor vehicles	25%

16. OTHER NON-CURRENT ASSETS

	Car park operating rights (Note a) HK$'000	Funds management contracts (Note b) HK$'000	Goodwill (Note c) HK$'000	Others (Note d) HK$'000	Total HK$'000
COST					
At 1 January 2016	–	–	218,015	–	218,015
Disposal of subsidiaries (note 34)	–	–	(218,015)	–	(218,015)
At 31 December 2016 and 1 January 2017	–	–	–	–	–
Acquired on acquisition of subsidiary (note 35)	56,308	28,586	98,296	25,305	208,495
At 31 December 2017	56,308	28,586	98,296	25,305	208,495
AMORTISATION AND IMPAIRMENT					
At 1 January 2016	–	–	218,015	–	218,015
Disposal of subsidiaries (note 34)	–	–	(218,015)	–	(218,015)
At 31 December 2016, 1 January 2017 and 31 December 2017	–	–	–	–	–
CARRYING VALUES					
At 31 December 2017	56,308	28,586	98,296	25,305	208,495
At 31 December 2016	–	–	–	–	–

16. OTHER NON-CURRENT ASSETS (continued)

Notes:

a. Car park operating rights represent the car park operating rights held by the newly acquired subsidiary, Shouzhong and its subsidiaries with carrying amount of HK$56,308,000 as at 31 December 2017. The rights entitled the Group to operate a number of car parks in the PRC for 52 months to 115 months over which the cost will be amortised.

b. Funds management contracts represents the contracts entered by the newly acquired subsidiary, Beijing-Hebei Co-development Exhibition Zone (Tangshan) Fund Management Co., Ltd. ("Beijing-Hebei") and its subsidiaries with other parties as at 31 December 2017. The contracts granted the Group to manage the funds held on behalf of other contracting parties and receiving management income as return for 1 year to 10 years over which the cost will be amortised.

c. Goodwill is allocated to the following cash generating units:

	Car park operation	**Private fund management**	**Steel manufacturing**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 January 2016	–	–	218,015	218,015
Disposal of subsidiaries (note 34)	–	–	(218,015)	(218,015)
At 31 December 2016 and 1 January 2017	–	–	–	–
Arising on acquisitions of Subsidiaries (note 35)	44,614	53,682	–	98,296
At 31 December 2017	44,614	53,682	–	98,296

As set out in note 34, the Group has disposed its steel manufacturing and mineral exploration and processing business on 30 December 2016. Prior to the Disposal (as defined in note 34), the management has performed an impairment testing on steel manufacturing segment and mineral exploration and processing segment which are disclosed in note 17.

d. The balance represents car park under construction in respect of certain car park operating projects entered into with independent parties.

Particulars regarding impairment testing on goodwill as at 31 December 2017 are disclosed in note 17.

17. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS

Impairment testing on car park operation segment

For the purpose of impairment testing, the goodwill as set out in note 16 with carrying amount of HK$44,614,000 has been allocated to a cash generating unit ("CGU") in the car park operation segment.

The recoverable amount of the CGU arising from car park operation segment was determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 13.0%. Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for this CGU. The key assumption is budgeted revenue, discount rate and growth rate determined based on the management's expectations for the market development.

No impairment on this CGU is made for 2017 as the recoverable amount, which is the value in use, exceeded the carrying amount. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the recoverable amount of CGU.

Impairment testing on private fund management segment

For the purpose of impairment testing, the goodwill as set out in note 16 with carrying amount of HK$53,682,000 has been allocated to CGU in the private fund management segment.

The recoverable amount of the CGU arising from the private fund management segment was determined based on value in use calculations. The value in use calculations use cash flow projection based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 15.0%. Cash flows beyond the 5-year period are extrapolated using a steady 3% growth rate for this CGU. The key assumptions are budgeted revenue, discount rate and growth rate determined based on the management's expectations for the market development.

No impairment on this CGU is made for 2017 as the recoverable amount, which is the value in use, exceeded the carrying amount. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the recoverable amount of CGU.

17. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS (continued)

Impairment testing on steel manufacturing segment

For the purposes of impairment testing, the goodwill of HK$218,015,000 as set out in note 16 has been allocated to two CGUs in the steel manufacturing business operating segment, which includes the Group's subsidiaries—Qinhuangdao Shougang Plate Mill Co., Ltd ("Unit A") and Shouqin ("Unit B"). The carrying amounts of goodwill for these units have been fully impaired in prior years.

The steel manufacturing segment included CGUs of Units A and B for the purpose of impairment testing of property, plant and equipment.

No impairment loss on property, plant and equipment was recognised for the period from 1 January 2016 to the date of disposal of CGUs as the recoverable amounts of these CGUs were higher than the respective carrying amounts.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amounts of the Units A and B have been determined based on a value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period and at a discount rate of 13.50% for both Units A and B. Both the cash flows of Unit A and Unit B beyond the five years period are extrapolated with zero growth rate. The key assumptions for the value in use calculations are those regarding the estimated average useful lives of identifiable assets, discount rates, growth rates and expected changes to selling prices and direct costs during the budget period which have been determined based on past performance and management's expectations for the market development.

Impairment testing on mineral exploration and processing segment ("Mineral Segment")

Prior to the disposal date on 30 December 2016, as the result of the unfavourable performance of Mineral Segment, the management conducted an impairment assessment of individual segment asset of Mineral Segment which mainly included property, plant and equipment and mining assets. The carrying amount of mining assets was fully impaired in 2013. As it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of the CGU that the Group's subsidiary—Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Unit C") has allocated to which such assets are belonged. The management considers that the recoverable amount of the individual property, plant and equipment cannot be determined when (i) the value in use of the asset cannot be estimated to be close to its fair value less costs of disposal and (ii) the asset does not generate cash inflows that are largely independent of those from other assets. Unit C is considered as a CGU for the purpose of the impairment test.

17. IMPAIRMENT TESTING ON GOODWILL, PROPERTY, PLANT AND EQUIPMENT AND MINING ASSETS (continued)

Impairment testing on mineral exploration and processing segment ("Mineral Segment") (continued)

No impairment loss on property, plant and equipment was recognised for the period ended 30 December 2016 for Unit C as the recoverable amount of Unit C was higher than the carrying amount.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount of mineral exploration and processing segment was determined based on value in use calculation and based on certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a five-year period. The discount rate used for the value in use calculations is 15%. Cash flows beyond the five years period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin, such estimation is based on the management's expectations for the market development.

18. INTERESTS IN ASSOCIATES

	2017 **HK$'000**	2016 HK$'000
Cost of investment in associates		
Listed in Hong Kong	**6,834,092**	6,834,092
Share of post-acquisition losses and other comprehensive expenses, impairment loss, net of dividends received	**(1,396,800)**	(1,815,419)
	5,437,292	5,018,673
Unrealised gain on disposal of available-for-sale investments to an associate (Note)	**(364,213)**	(364,213)
	5,073,079	4,654,460
Fair value of listed investments	**2,628,374**	2,403,753

18. INTERESTS IN ASSOCIATES (continued)

Note: The amount represents unrealised gain on disposal of available-for-sale investments to the Group's associate, Shougang Fushan Resources Group Limited ("Shougang Resources") to the extent of the equity interest of Shougang Resources held by the Group upon completion of the disposal of available-for-sale investments to the associate in 2009.

During the year ended 31 December 2012, Shougang Resources early adopted HKFRS 9. As at 31 December 2017 and 2016, such investments are continuously held by Shougang Resources and classified as financial assets at FVTOCI.

Such unrealised gain will be released upon the loss of significant influence over Shougang Resources or disposal of such investments by Shougang Resources.

Included in the cost of investment in associates is goodwill of approximately HK$1,048,488,000 (2016: HK$1,048,488,000). The movement of goodwill is set out below:

Goodwill

	HK$'000
COST	
At 1 January 2016, 31 December 2016 and 31 December 2017	2,257,169
IMPAIRMENT	
At 1 January 2016	951,681
Impairment loss recognised in 2016	257,000
At 31 December 2016 and 31 December 2017	1,208,681
CARRYING VALUES	
At 31 December 2017	1,048,488
At 31 December 2016	1,048,488

18. INTERESTS IN ASSOCIATES (continued)

Goodwill (continued)

No impairment loss has been recognised for the year ended 31 December 2017 (for the year ended 31 December 2016: HK$257,000,000) in respect of the interest in Shougang Resources with carrying amount of HK$4,634,344,000 (2016: HK$4,229,616,000) after considering that the recoverable amount of Shougang Resources is higher than the respective carrying amount. The recoverable amount of the interest in Shougang Resources has been determined by calculating the value in use of the investment. For impairment purpose, the management estimates the Group's share of Shougang Resource's future cash flow which is based on the financial budgets attributable to the equity interest of the Group approved by management covering a 5-year period and using a pre-tax discount rate of 12.88% (for the year ended 31 December 2016: 12.87%), and the cash flows beyond 5 years are extrapolated using a zero growth rate. Other key assumptions for the value in use calculation relates to the estimation of future cash inflows which include budgeted sales and gross margin, such estimation is based on the associate's past performance and management's expectations for the market development.

The carrying amount of the Group's investment with carrying amount of HK$438,735,000 (2016: HK$424,544,000) in Shougang Concord Century Holdings Limited ("Shougang Century") is also tested for impairment in entirety in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing the respective recoverable amount. The recoverable amount of the Group's investment in Shougang Century has been determined by calculating the value in use of the investment. The management estimates the Group's share of Shougang Century's future cash flow which is based on financial budgets covering a five-year period at a discount rate of 11.30% to 11.82% (2016: 10.45% to 10.94%). The parameters adopted in Shougang Century's cash flows beyond the five-year period were extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of future cash inflows which include gross budgeted sales and gross margin, such estimation is based on the management's expectations for the market development.

As at 31 December 2017 and 2016, the recoverable amount of Shougang Century is higher than the carrying amount and thus no impairment loss is recognised regarding to the Group's investment in Shougang Century.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

18. INTERESTS IN ASSOCIATES (continued)

Shougang Resources

	2017 HK$'000	2016 HK$'000
Current assets	7,631,105	6,357,689
Non-current assets	14,063,540	12,746,767
Current liabilities	2,661,400	1,843,177
Non-current liabilities	1,657,562	1,595,586

	2017 HK$'000	2016 HK$'000
Revenue	3,471,922	1,809,885
Profit for the year	1,182,584	67,656
Profit for the year attributable to owners of Shougang Resources	1,080,649	111,795
Other comprehensive income (expense) for the year	879,059	(385,875)
Total comprehensive income (expense) for the year	2,061,643	(318,219)
Dividends received from the associate during the year	87,838	292,792

18. INTERESTS IN ASSOCIATES (continued)

Shougang Resources (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017	2016
	HK$'000	HK$'000
Net assets of Shougang Resources	**17,375,683**	15,665,693
Non-controlling interests	**(1,440,871)**	(1,146,669)
	15,934,812	14,519,024
Proportion of the Group's ownership interest in Shougang Resources	**27.61%**	27.61%
	4,399,602	4,008,703
Effect of fair value adjustments at acquisition	**(329,852)**	(304,471)
Goodwill	**1,048,488**	1,048,488
Unrealised gain on disposal of available-for-sale investments to an associate	**(364,213)**	(364,213)
Other adjustments (Note)	**(119,681)**	(158,891)
Carrying amount of the Group's interest in Shougang Resources	**4,634,344**	4,229,616

Note: Other adjustments mainly represent the transfer of share option reserve to retained earnings of Shougang Resources due to the expiry of share option granted by Shougang Resources.

18. INTERESTS IN ASSOCIATES (continued)

Shougang Century

	2017 HK$'000	2016 HK$'000
Current assets	2,007,373	1,658,764
Non-current assets	1,436,703	1,378,278
Current liabilities	1,706,893	1,632,604
Non-current liabilities	345,655	82,473

	2017 HK$'000	2016 HK$'000
Revenue	2,113,258	1,703,255
(Loss) profit for the year	(68,518)	10,103
(Loss) profit for the year attributable to owners of Shougang Century	(68,518)	10,103
Other comprehensive income (expense) for the year	138,081	(84,008)
Total comprehensive income (expense) for the year	69,563	(73,905)

18. INTERESTS IN ASSOCIATES (continued)

Shougang Century (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 HK$'000	2016 HK$'000
Net assets of Shougang Century	1,391,528	1,321,965
Proportion of the Group's ownership interest in Shougang Century	35.71%	35.71%
	496,915	472,074
Share option reserve	(10,671)	(10,671)
Property revaluation reserve	(48,970)	(38,019)
Other adjustments	1,461	1,460
Carrying amount of the Group's interest in Shougang Century	438,735	424,844

19. INTEREST IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Cost of investment in a joint venture		
Unlisted investment (Note)	81,299	–
Share of post-acquisition results and other comprehensive income, net of dividends received	–	–
	81,299	–

Note: Beijing Shouzhong Car Parking Management Co., Limited ("BSCMCL") is held by Shouzhong and became a joint venture of the Group upon the acquisition of Shouzhong as disclosed in Note 35. Accordingly, the Group indirectly owns approximately 48.125% equity interest in BSCMCL. Pursuant to certain terms and conditions given in the equity owners' agreement, the financial and operating policies of BSCMCL require approval from all equity owners. BSCMCL is jointly controlled by the Group and another equity owner and, as such, it is accounted for as a joint venture of the Group.

19. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of joint venture

Summarised financial information of BSCMCL is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	2017 HK$'000	2016 HK$'000
Current assets	4,928	–
Non-current assets	265,630	–
Current liabilities	758	–
Non-current liabilities	100,867	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	2,557	–
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	100,867	–

19. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of joint venture (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements using the equity method of accounting is as follow:

	2017	2016
	HK$'000	HK$'000
Net assets of the joint venture	**168,933**	–
Proportion of the Group's ownership interest in joint venture	**48.125%**	N/A
Carrying amount of the Group's interest in joint venture	**81,299**	–

20. EQUITY INSTRUMENTS

Equity instruments comprise:

	2017	2016
	HK$'000	HK$'000
Listed investments:		
– Equity securities listed in Australia, at fair value (Note a)	**–**	783

These investments in equity securities are not held for trading. Upon the application of HKFRS 9 on 1 January 2012, the Group's investments in listed and unlisted equity securities that were previously classified as available-for-sale investments have been classified as equity investments designated as at FVTOCI. The Group has chosen to designate these investments in equity instruments as at FVTOCI as the management believes that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value in profit or loss.

Note:

a. On 1 January 2012, the Group has applied HKFRS 9 and the related consequential amendments in advance of their effective date. The shares of Australasian Resources Limited ("ARH") which are the listed equity instruments previously recognised as available-for-sale investments and measured at fair value at the end of the reporting period are designated by the Group as at FVTOCI. As at 31 December 2017, the Group held approximately 5.72% (2016: 5.72%) of the issued share capital of ARH.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 **HK$'000**	2016 HK$'000
Financial assets at fair value through profit or loss classified as non-current assets (Note a)	**121,596**	–
Financial assets at fair value through profit or loss classified as current assets (Note b)	**114,676**	–

Notes:

a. The financial assets at fair value through profit or loss represent unlisted equity securities issued by private entities incorporated in the PRC to Beijing-Hebei or its subsidiaries and are indirectly held by the Group through the acquisition of Beijing-Hebei as disclosed in Note 35.

Details of the unlisted equity securities are as follows:

Name of the unlisted equity security	Date of Investment	Proportion of equity interest held by the Group 2017	2016
京冀協同發展曹妃甸投資基金唐山一期（有限合夥）	August 2015	1.00%	N/A
唐山曹妃甸京冀協同綠色產業投資基金合夥企業	June 2016	3.00%	N/A
唐山京冀協同健康產業基金合夥	December 2016	1.94%	N/A
唐山協同惠眾醫療股權投資基金合夥企業	December 2016	0.80%	N/A
北京石經山投資發展中心（有限合夥）	December 2016	1.00%	N/A
北京康元同心管理諮詢中心（有限合夥）	November 2016	0.30%	N/A
遷安京冀股權投資基金（有限合夥）	December 2016	1.00%	N/A
天津石經山股權投資合夥企業（有限合夥）	April 2017	0.50%	N/A
北京京西硅谷創新投資中心（有限合夥）	March 2017	2.00%	N/A
唐山曹妃甸僑創股權投資基金合夥企業（有限合夥）	March 2017	7.96%	N/A
北京僑創興業房地產經紀有限公司	April 2017	0.88%	N/A
北京首新晉元管理諮詢中心（有限合夥）	September 2017	1.00%	N/A
吉林首鋼產業振興基金合夥企業（有限合夥）	December 2016	2.30%	N/A

b. The financial assets at fair value through profit or loss represent the wealth management products issued by banks with interests at floating rates ranging from 3.20% to 3.75% per annum and will mature within one year.

22. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade and bills receivables	851,179	397,027
Less: Allowance for doubtful debts	(27,475)	(2,248)
	823,704	394,779
Prepayments and deposits	66,548	2,675
Value added tax receivable	3,806	–
Other receivables	4,248	2,739
	74,602	5,414
	898,306	400,193

22. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The credit term of trade receivables are normally 90 to 180 days as at 31 December 2017 (2016: 90 days). The maturity period of bills receivables are normally 90 to 180 days as at 31 December 2017 (2016: 90 days). The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	2017	2016
	HK$'000	HK$'000
Within 60 days	**777,169**	356,854
61—90 days	**34,181**	37,925
91—180 days	**8,712**	–
181—365 days	**3,642**	–
	823,704	394,779

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables from each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of Directors, the trade and bills receivables that are not past due nor impaired were of good credit quality at the end of the reporting period.

Included in the trade receivables balance at 31 December 2017 were debtors with aggregate carrying amount of HK$3,642,000 as at 31 December 2017 which were past due at the reporting date but for which the Group had not provided allowance for doubtful debts as continuous repayment was noted subsequent to 31 December 2017. The Group did not hold any collateral over these balances. The average age of these receivables was 331 days as at 31 December 2017.

All trade receivables were within credit period as at 31 December 2016.

22. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Ageing of trade receivables which are past due but not impaired are as follows:

	2017	2016
	HK$'000	HK$'000
181—365 days	**3,642**	–

Movement in the allowance for doubtful debts for trade and bills receivables

	2017	2016
	HK$'000	HK$'000
At 1 January	**2,248**	119,758
Impairment losses recognised on receivables	**25,227**	20,063
Amounts written off as uncollectible	**–**	(97)
Exchange adjustments	**–**	(7,670)
Disposal of subsidiaries	**–**	(129,806)
At 31 December	**27,475**	2,248

The entire balance of the allowance for doubtful debts for trade and bills receivables with an aggregate amount of HK$27,475,000 (2016: HK$2,248,000) are individually impaired trade receivables, the payers of which are in severe financial difficulties.

Other receivables are unsecured, interest-free and repayable within one year from the end of the reporting period.

22. TRADE AND BILLS RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts for prepayments and deposits

	2017	2016
	HK$'000	HK$'000
At 1 January	**–**	81,397
Impairment losses recognised on prepayments and deposits	**–**	6,503
Exchange adjustments	**–**	(5,565)
Disposal of subsidiaries	**–**	(82,335)
At 31 December	**–**	–

23. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNTS DUE FROM ASSOCIATES

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

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

	2017	2016
	HK$'000	HK$'000
Within 60 days	**–**	8,704

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

All trade receivables from related companies were within credit period as at 31 December 2016.

23. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNTS DUE FROM ASSOCIATES (continued)

Movement in the allowance for doubtful debts of trade receivables from related companies

	2017	2016
	HK$'000	HK$'000
At 1 January	–	27,494
Exchange adjustments	–	(1,786)
Disposal of subsidiaries	–	(25,708)
At 31 December	–	–

In determining the recoverability of trade and non-trade receivables from related companies, the Group considers any change in credit quality of the trade and non-trade receivables from the date credit was initially granted up to the financial statements approval dates. Accordingly, the Directors believe that no further provision is required in excess of the allowance for doubtful debts of trade receivables from related companies.

The trade payable to a related company and an aged analysis of such balance is presented based on the invoice date at the end of the reporting period as follows:

	2017	2016
	HK$'000	HK$'000
Over 2 years	–	8,212

The amounts due from related companies and associates are unsecured, interest-free and repayable on demand as at 31 December 2017 and 2016.

24. ASSETS (LIABILITIES) RELATING TO COMMODITY CONTRACTS

	2017 HK$'000	2016 HK$'000
Assets relating to commodity contracts		
First Commodity Contracts with MGI classified as non-current asset (Notes a and b)	**151,244**	181,716
Liabilities relating to commodity contracts		
Second Commodity Contract with MGI (Note c) classified as current liability	**(18,853)**	–
Third Commodity Contract classified as current liability (Note d)	**(73,136)**	–
	(91,989)	–

Notes:

a. In November 2008, the Company entered into the First Commodity Contracts with MGI to purchase iron ore for which the forward price was determined with reference to Hamersley Benchmark Iron Ore Prices. In November 2010, the First Commodity Contracts were revised as the Hamersley Benchmark Iron Ore Prices were not available in the market and the iron ore forward price had then been revised to be determined with reference to Platts Iron Ore Price.

At 31 December 2017 and 2016, the major terms of the outstanding First Commodity Contracts entered by the Company with MGI are as follows:

2017 and 2016

First Commodity Contracts entered into on or after September 2011

Notional amount	Period	Forward price
Purchase approximately 80% of total production of a relevant mine ("Mine A") in Australia (Note)	01.11.2010 to the life of the relevant mine	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fine ore products per dead weight metric tonne
Purchase approximately 56% of total production of a relevant mine ("Mine B") in Australia	01.11.2010 to the life of the relevant mine	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fine ore products per dead weight metric tonne

24. ASSETS (LIABILITIES) RELATING TO COMMODITY CONTRACTS (continued)

Notes: (continued)

Original First Commodity Contracts entered into prior to September 2011

Notional amount	Period	Forward price
Purchase approximately 56% of total production of two relevant mines (Mine A and Mine B) in Australia	01.11.2010 to the lives of the relevant mines	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fine ore products per dead weight metric tonne

Note: As per the Original First Commodity Contracts, the Group was entitled to purchase 80% of the 70% of the total production of Mine A and Mine B, and MGI could not enter into further sales agreements with any other customers without the consent of the Group.

Due to the demise of the Hamersley Benchmark Iron Ore Prices in 2010, MGI has sought to negotiate with each of its customers a revised pricing mechanism. However, MGI failed to reach an agreement on the revised pricing mechanism with some of its customers who in total purchase approximately 30% of the total production of Mine A. In August 2011, MGI announced that the First Commodity Contracts with these customers of Mine A have ceased to be binding on these customers. As per the First Commodity Contracts, when any sales agreements entered into between MGI and these customers prior to 31 October 2008 were terminated, 80% of the 30% of the total production surrendered by these customers would be taken up by the Group. Together with the 56% of the total production of Mine A originally taken by the Group, the Group will purchase 80% of the total production of Mine A from September 2011 onwards.

In 2014, Mine B has run out of iron ore reserve and thus has been closed down.

As at 31 December 2017, the fair value of the First Commodity Contracts was determined by the Directors with reference to a valuation report carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group and the fair value is approximately HK$151,244,000 (2016: HK$181,716,000). For the year ended 31 December 2017, a loss of HK$30,472,000 (2016: HK$131,136,000) has been recognised in profit or loss.

Discounted cashflow model is used for valuation of the First Commodity Contracts. The fair value is based on certain assumptions including the risk free rate in Australia of 2.90% (2016: 3.22%), the forecasted annual production of the mines, the life of the Mine A of 3 years (2016: 10 years), a range of forecasted Platts Iron Ore Index, the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of capsize vessel freight rate and panama vessel freight rate, the forecasted marketing commission saving, the lives of mines and a discount rate of 19.97% (2016: 19.49%) throughout the contract period based on management's best estimate.

24. ASSETS (LIABILITIES) RELATING TO COMMODITY CONTRACTS (continued)

Notes: (continued)

b. On 24 October 2014, MGI announced that there was a slump in the Main Pit seawall in Koolan Island and Main Pit was inundated as a result of the breach of the seawall. Subsequent to the Slump, the production of the Koolan Island mine was suspended. On 27 April 2017, management of MGI announced its plan to restart the Koolan Island mine and the first ore sales are targeted to commence in early 2019.

   The Directors consider that the production of Main Pit is unlikely to resume in 2018, and therefore the entire carrying amount of the First Commodity Contracts is classified as non-current asset as at 31 December 2017.

c. In December 2016, the Group has entered into another commodity contract (the "Second Commodity Contract") in relation to the production of iron ore in Iron Hill with MGI. Pursuant to the Second Commodity Contract, the Group is entitled to a discount on the purchase of the pre-agreed quantity of iron ore within one year from the date of the first shipment. The agreement has been approved by the regulatory bodies in Australia during the year and has officially come into effect after obtaining the approval from the shareholders of MGI at the general meeting of MGI in April 2017. The major terms of the Second Commodity Contract entered by the Group with MGI are as follows:

Notional amount	**Period**	**Forward price**
Purchase approximately 23% of total production of a relevant mine ("Mine C") in Australia	08.07.2017 to 07.07.2018	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fines ore products per dead weight metric tonne

   As at 31 December 2017, the fair value of the Second Commodity Contract was determined by the Directors with reference to a valuation report carried out by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. For the year ended 31 December 2017, a loss of HK$18,853,000 has been recognised in profit or loss.

   Discounted cashflow model is used for valuation of the Second Commodity Contract. The fair value is based on certain assumptions including the risk free rate in Australia of 2.90%, the forecasted annual production of the mines, a range of forecasted Platts Iron Ore Index, the life of mine and a discount rate of 20.97% throughout the contract period based on management's best estimate.

24. ASSETS (LIABILITIES) RELATING TO COMMODITY CONTRACTS (continued)

Notes: (continued)

d. The Group has entered into another commodity contract ("Third Commodity Contract") with an independent third party and committed to purchase a certain quantity of iron ore at a price calculated which is based on Platts Iron Ore Price Index. The major terms of this commodity contract entered by the Group with the independent third party are as follows:

Notional amount	Period	Forward price
Purchase approximately 800,000 metric tonne of a relevant mine in Australia	01.01.2017 to 31.12.2017	Platts Iron Ore Prices plus freight cost and agent fee

The Third Commodity Contract was expired on 31 December 2017 and a loss of approximately HK$73,136,000 has been recognised in the profit or loss as determined by the Directors' estimation.

25. RESTRICTED AND PLEDGED BANK DEPOSITS

As at 31 December 2017, the restricted bank deposits represent bank deposits restricted by certain banks to secure the issuance of letters of credit.

The restricted deposits amounting to HK$618,000 will be released upon the settlement of the letters of credit which will be within twelve months from the end of the reporting period and are therefore classified as current assets as at 31 December 2017.

The Group has no pledged bank deposit as at 31 December 2017.

As at 31 December 2016, the pledged bank deposits amounting to HK$23,073,000 represented deposits pledged to secure short-term bank borrowings and were therefore classified as current assets.

26. BANK BALANCES AND CASH/TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

The bank balances and time deposits carry interest at market rates which range from 0.05% to 2.25% (2016: 0.05% to 9.00%) per annum.

27. TRADE AND BILLS PAYABLES, OTHER PAYABLES, PROVISION AND ACCRUED LIABILITIES

	2017 HK$'000	2016 HK$'000
Trade and bills payables	**569,191**	276,093
Accruals	**20,720**	42,630
Other payables	**75,175**	6,201
	95,895	48,831
	665,086	324,924

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

	2017 HK$'000	2016 HK$'000
Within 90 days	**567,082**	276,093
91 — 180 days	**2,109**	–
	569,191	276,093

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.

28. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
The bank borrowings are repayable (Note):		
Within one year and shown under current liabilities	–	616,783

	2017 HK$'000	2016 HK$'000
Secured	–	501,055
Unsecured	–	115,728
	–	616,783

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the variable-rate borrowings are as follows:

	2017 HK$'000	2016 HK$'000
Variable-rate borrowings		
Within one year or contain a repayment on demand clause	–	616,783

In 2016, the variable-rate bank borrowings of approximately HK$617 million which carry interest at the London Interbank Offered Rate ("LIBOR") plus a range of 1.8% to 3.5% per annum, which ranged from 2.16% to 4.27% per annum.

In 2016, some borrowings were secured by certain assets. Details are set out in note 41.

28. BANK BORROWINGS (continued)

The borrowings denominated in currency other than the functional currencies of the relevant group entities are set out as below:

	2017 HK$'000	2016 HK$'000
United States dollars ("USD")	–	616,783

29. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	(35,212)	(32,291)
Deferred tax liabilities	25,174	–
	(10,038)	(32,291)

29. DEFERRED TAX (continued)

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

	Accelerated tax depreciation HK$'000	Fair value adjustment and revaluation of properties HK$'000	Fair value adjustment of other non-current assets HK$'000	Fair value adjustment of financial assets at FVTPL – non-current HK$'000	Unrealised loss of equity instruments HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2016	6,065	23,816	–	–	(32,582)	(563)	(3,264)
Exchange differences	(244)	(229)	–	–	291	–	(182)
Credit to profit or loss	(3,531)	(49)	–	–	–	(51)	(3,631)
Disposal of subsidiaries (note 34)	(2,290)	(22,924)	–	–	–	–	(25,214)
At 31 December 2016	–	614	–	–	(32,291)	(614)	(32,291)
Exchange differences	–	–	–	–	(2,921)	–	(2,921)
Acquisitions of subsidiaries (note 35)	–	–	21,224	3,950	–	–	25,174
At 31 December 2017	–	614	21,224	3,950	(35,212)	(614)	(10,038)

As at 31 December 2017, the Group has unused tax losses of approximately HK$519 million (2016: HK$401 million), of which HK$316 million (2016: HK$310 million) is subject to IRD's confirmation. A deferred tax asset has been recognised in respect of approximately HK$4 million of such losses for the year ended 31 December 2017 and 2016. No deferred tax asset has been recognised in respect of the HK$515 million (2016: HK$397 million) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinite.

30. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares issued and fully paid:		
At 1 January 2016 and 31 December 2016	8,957,896,227	5,345,183
Issue of new shares on 16 November 2017	8,957,896,227	2,015,527
Transaction costs attributable to issue of new shares	–	(11,165)
At 31 December 2017	17,915,792,454	7,349,545

30. SHARE CAPITAL (continued)

On 8 September 2017, the Company proposed to issue 8,957,896,227 open offer shares at the subscription price of HK$0.225 per open offer share (the "Open Offer"). The Open Offer was completed on 16 November 2017 with net proceeds of approximately HK$2,004,362,000 and resulted in the increase in share capital of approximately HK$2,004,362,000.

31. SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "2002 Scheme") on 7 June 2002.

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies (as defined under the 2002 Scheme). The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Board of Directors may, at its discretion, offer Directors (including Executive and Non-executive Directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

The exercise price in relation to each share option was determined by the Board of Directors at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation 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 a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK$1 as consideration for the grant of share options in accordance with the 2002 Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer. All the outstanding share options which had been fully vested as at 31 December 2016 were cancelled during the financial year ended 31 December 2017.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, were 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 to any of their associates, in excess of an aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

31. SHARE OPTION SCHEMES (continued)

The 2002 Scheme terminated on 29 May 2012 and no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

The Company adopted a new share option scheme (the "2012 Scheme") on 25 May 2012.

The purpose of the 2012 Scheme is to replace the 2002 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 2012 Scheme will remain in force for a period of 10 years commencing on 25 May 2012.

Under the 2012 Scheme, the Board of Directors may, at its discretion, offer Directors (including Executive and Non-executive Directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.

The exercise price in relation to each share option will be determined by the Board of Directors 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 a 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 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 to any of their associates, in excess of an aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), in the 12-month period up to and including the date of the offer of such grant shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

31. SHARE OPTION SCHEMES (continued)

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2017 and 2016, there was no share option outstanding under the 2012 Scheme. 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 895,330,622, representing approximately 5% of the shares of the Company in issue at the end of the reporting period. 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 option 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.

The following table discloses details of the share options under the 2002 Scheme and movements in such holdings during the year ended 31 December 2017:

	Number of share options								
Grantees	At 1.1.2017	Granted in 2017	Exercised in 2017	Cancelled in 2017	At 31.12.2017	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
Director	4,000,000	–	–	4,000,000	–	14.12.2010	–	14.12.2010 to 13.12.2017	1.180
	4,000,000	–	–	4,000,000	–	14.12.2010	14.12.2010 to 13.12.2011	14.12.2011 to 13.12.2017	1.180
	4,000,000	–	–	4,000,000	–	14.12.2010	14.12.2010 to 13.12.2012	14.12.2012 to 13.12.2017	1.180
	4,000,000	–	–	4,000,000	–	14.12.2010	14.12.2010 to 13.12.2013	14.12.2013 to 13.12.2017	1.180
	4,000,000	–	–	4,000,000	–	14.12.2010	14.12.2010 to 13.12.2014	14.12.2014 to 13.12.2017	1.180
	20,000,000	–	–	20,000,000	–				
Exercisable	20,000,000				–				

31. SHARE OPTION SCHEMES (continued)

The following table discloses details of the share options under the 2002 Scheme and movements in such holdings during the year ended 31 December 2016:

	Number of share options								
Grantees	At 1.1.2016	Granted in 2016	Exercised in 2016	Lapsed in 2016	At 31.12.2016	Date of grant	Vesting period	Exercisable period	Exercise price per share HK$
Director	4,000,000	–	–	–	4,000,000	14.12.2010	–	14.12.2010 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2011	14.12.2011 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2012	14.12.2012 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2013	14.12.2013 to 13.12.2017	1.180
	4,000,000	–	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2014	14.12.2014 to 13.12.2017	1.180
	20,000,000	–	–	–	20,000,000				
Exercisable	20,000,000				20,000,000				

During the years ended 31 December 2017 and 2016, no share options under the 2002 Scheme were exercised.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of borrowings disclosed in note 28 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a semi-annual basis. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

33. FINANCIAL INSTRUMENTS

33a. Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL	**387,516**	181,716
Financial assets at amortised cost (including cash and cash equivalents)	**2,342,408**	967,219
Financial assets at FVTOCI	**–**	783
Financial liabilities		
Financial liabilities at FVTPL	**91,989**	–
Financial liabilities at amortised cost	**643,050**	907,289

33b. Financial risk management objectives and policies

The major financial instruments include equity instruments, financial assets at fair value through profit or loss, trade and bills receivables, deposits, other receivables, trade receivables from related companies, amounts due from related companies, restricted bank deposits, pledged bank deposits, time deposits with original maturity over three months, bank balances, amounts due from associates, trade and bills payables, other payables, trade payable to a related company, bank borrowings, assets relating to commodity contracts and liabilities relating to commodity contracts.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate and interest rate fluctuations on the Group's financial performance and price fluctuations on the equity instruments. Risk management for the Group's operations is carried out under the guidance of the Directors. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. Certain trade receivables, amounts due from related companies, bank balances, trade payables and bank borrowings of the Group are denominated in foreign currencies other than the functional currencies of the relevant group entities, which expose the Group to foreign currency risk.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**–**	617,954	**35,369**	237,747
RMB	**–**	–	**191**	214,819

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuations of USD and RMB against HK$ during the years ended 31 December 2017 and 2016. As HK$ is pegged with USD under Linked Exchange Rate System, the Group's exposure to USD exchange risk is minimal and no sensitivity analysis on USD is presented accordingly.

The following table details the sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The negative number below indicates a decrease in the post-tax profit (2016: increase in the post-tax loss) where HK$ strengthens 5% against RMB. For a 5% weakening of HK$ against RMB, there would be an equal and opposite impact on the profit or loss for the year.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) Currency risk (continued)

Sensitivity analysis (continued)

	RMB	
	2017	2016
	HK$'000	HK$'000
Impact on the result for the year	**(8)**	(8,542)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate time deposits.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's borrowings.

Sensitivity analysis

The sensitivity analysis below presents the effect on the Group's post-tax loss for the year ended 31 December 2016 as a result of change in interest expense on variable-rate borrowings. The sensitivity to interest rate used was considered reasonable given the market forecasts available at end of the reporting period and under the economic environments in which the Group operated, with all other variables held constant.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period only as the Directors consider that the restricted and pledged bank deposits and bank balances, and other non-derivative instruments may not have significant exposure to change in interest rates. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the post-tax loss for the year ended 31 December 2016 would increase/decrease HK$5,150,000. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group has no exposure to interest rates on financial liabilities during the current year as there is no variable rate bank borrowings as at 31 December 2017.

(iii) Other price risk

The Group is exposed to foreign currency risk, equity and commodity prices risk through its investments in listed equity securities and commodity contracts to purchase iron ore.

Sensitivity analysis

The sensitivity analysis (including listed equity securities and commodity contracts) has been determined based on the exposure to equity and commodity prices risk by reference to the movements of the share prices and commodity prices quoted up till the reporting date.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(iii) Other price risk (continued)

Sensitivity analysis of listed equity securities

The sensitivity analysis below has been determined assuming that a change in the corresponding equity prices had occurred at the end of the reporting period and had been applied to the investments that would have affected the Group's other comprehensive income. In 2016, a change of 35% in stock prices was applied at the end of the reporting period. The applied change of percentage represented management's assessment of the reasonably possible change in stock prices.

	Increase (decrease) in other comprehensive income	
	35% increase	**35% decrease**
	HK$'000	HK$'000
For the year ended 31 December 2016	274	(274)

In addition, if there is a 5% increase/decrease in HK$ against Australian dollars ("AUD"), security investment reserve would decrease/increase by HK$39,000 for the Group for the year ended 31 December 2016.

As at 31 December 2017, no sensitivity analysis was presented as the involved amount is insignificant.

Sensitivity analysis of First Commodity Contracts

The Group is required to estimate the fair value of First Commodity Contracts to purchase iron ore at the end of the reporting period with change in fair value to be recognised in consolidated statement of profit or loss and other comprehensive income. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in the forecasted Platts Iron Ore price, the spread between freight rates, market interest rate, market commission saving, forecasted annual production of mines and the exchange rate of HK$ against USD.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Market risk *(continued)*

(iii) Other price risk (continued)

Sensitivity analysis of First Commodity Contracts (continued)

The sensitivity analysis is based on the exposure to the iron ore market price risks, market interest rate risk, the risk of spread between freight rates, market commission saving and annual production of mines at the reporting date is disclosed in note 33(c)(i).

Sensitivity analysis of Second Commodity Contract

The Group is required to estimate the fair value of Second Commodity Contract to purchase iron ore at the end of the reporting period with change in fair value to be recognised in consolidated statement of profit or loss and other comprehensive income. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in the forecasted Platts iron ore price, market interest rate, forecasted annual production of mines and the exchange rate of HK$ against USD.

The sensitivity analysis is based on the exposure to the iron ore market price risks, market interest rate risk, market commission saving and annual production of mines at the reporting date is disclosed in note 33(c)(i).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent risk as the analysis does not reflect the interdependence of variables.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Company is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and other receivable at the end of the reporting period to ensure that adequate impairment loss is made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the Group has reduced credit risk on trade receivables by requesting trade deposits to be made or settlement by bank bills before delivery, especially in the trading business. The Group mainly deals with companies with a good repayment record and reputation and also has policies in place to assess the credit worthiness of customers.

The Group has limited credit risk on liquid funds as the counterparties are banks and financial institutions which are reputable and/or with high credit ratings assigned by international credit-rating agencies.

The Group does not have significant concentration of credit risk for its trade and other receivables and amounts due from related companies, with exposure spread over a large number of counterparties and customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC (2016: the PRC), which accounted for 99% (2016: 100%) of the total trade receivables as at 31 December 2017.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Liquidity risk

The Group manages its liquidity risk by ensuring it has sufficient liquid cash balances and credit facilities to meet its payment obligations as they fall due.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. A monthly report on forecasted inflow and outflow of cash is compiled for the Directors' review. The management monitors the utilisation of bank borrowings.

As at 31 December 2017, the Group has no bank borrowings outstanding. In 2016, the Group relies on bank borrowings as significant sources of liquidity. As at 31 December 2017, the Group has available unutilised trade line facilities of approximately HK$942 million (2016: HK$854 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its commodity contracts. The table has been drawn up based on the undiscounted net cash (inflows) and outflows on those commodity contracts that require net settlement and gross (inflows) and outflows on those commodity contracts that require gross settlement. When the amount payable is not fixed, the amount disclosed has been derived from interest rate and foreign currency exchange rates at the end of the reporting period. The liquidity analysis for the Group's financial instruments relating to commodity contracts is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of commodity contracts.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Liquidity risk *(continued)*

Liquidity table

	Weighted average interest rate %	Repayable on demand or less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2017 HK$'000
2017									
Non-derivative financial liabilities									
Trade and bills payables	–	569,191	–	–	–	–	–	569,191	569,191
Other payables	–	73,859	–	–	–	–	–	73,859	73,859
		643,050	–	–	–	–	–	643,050	643,050
Commodity contracts – gross settlement									
First Commodity Contracts – outflow (Note)		–	–	–	1,064,670	4,615,878	–	5,680,548	(151,244)
Second Commodity Contract – outflow (Note)		93,700	93,700	–	–	–	–	187,400	18,853
Third Commodity Contract – outflow (Note)		73,136	–	–	–	–	–	73,136	73,136

	Weighted average interest rate %	Repayable on demand or less than 3 months HK$'000	3–6 months HK$'000	6 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
2016									
Non-derivative financial liabilities									
Trade and bills payables	–	276,093	–	–	–	–	–	276,093	276,093
Other payables	–	6,201	–	–	–	–	–	6,201	6,201
Trade payables to related companies	–	8,212	–	–	–	–	–	8,212	8,212
Bank borrowings – variable rate	3.50	206,122	3,013	419,941	–	–	–	629,076	616,783
		496,628	3,013	419,941	–	–	–	919,582	907,289
Commodity contracts – gross settlement									
First Commodity Contracts – outflow (Note)		–	–	–	–	1,621,759	8,134,896	9,756,655	(181,716)

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available for level 1 inputs. In the level 2 fair value measurements, the Group derived the inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly with reference to the market information. When level 1 and level 2 inputs are not available, the Group may engage a third party qualified valuer to perform the valuation of commodity contracts and unlisted equity securities designated as at FVTOCI or FVTPL. The Group works closely with the qualified third party valuer to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

(i) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis

Some financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used) as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2 fair value measurements are those derived from 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(i) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable inputs
1) As at 31 December 2017, the First Commodity Contracts classified as assets relating to commodity contracts at level 3 category of HK$151,244,000 (2016: HK$181,716,000)	Discounted cash flow The key inputs are: The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of capsize vessel freight rate and panama vessel freight rate, the forecasted Platts iron ore price, the forecasted marketing commission saving, the forecasted annual production of the mines, the lives of mines and the discount rate	The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China taking into account management's estimate with reference to research report published by financial institution (Note 1) The average growth rate of capesize vessel freight rate and panamax vessel freight rate for Australia/China ranging from –42.57% to 0.35% (2016: –4.98% to 11.90%) and from –16.09% to –0.68% (2016: –35.06% to 9.29%) respectively taking into account management's estimate with reference to research report published by financial institution (Note 2) The forecasted Platts iron ore price ranging from USD56.12/DMT to USD59/DMT (2016: from USD52/DMT to USD55.13/DMT) taking into account management's estimate with reference to research report published by financial institution (Note 3) The forecasted marketing commission saving is taking into account management's estimate with reference to 3.25% (2016: 3.25%) on Platts iron ore IODEX 62% Fe CFR North China Price (Note 4) The forecasted annual production of the mines and the lives of the mines taking into account management's estimate with reference to the supplier's expected annual production and ore mine reserve announced on 27 April 2017 (2016: reserve amount stated in supplier's mineral resources and ore reserves statement as at 30 June 2014 less the actual purchase from 1 July 2014 to 31 December 2016) (Note 5) Discount rate of 19.97% (2016: 19.49%) is determined by expected rate of return of the First Commodity Contracts by using a Capital Asset Pricing Model and adjusted by the specific risk premium (Note 6)

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments

(i) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis* (continued)

Financial assets/financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable inputs
2) As at 31 December 2017, the Second Commodity Contract classified as liabilities relating to commodity contracts at level 3 category of HK$18,853,000 (2016: N/A)	Discounted cash flow The key inputs are: The forecasted Platts iron ore price, the forecasted annual production of the mines, the life of mine and the discount rate	The forecasted Platts iron ore price of USD59/DMT taking into account management's estimate with reference to research report published by financial institution (Note 7) The forecasted annual production of the mine and the life of the mine taking into account management's estimate with reference to the supplier's expected annual production and ore mine reserve stated in supplier's announcement dated 9 February 2017 (Note 8) Discount rate of 20.97% is determined by expected rate of return of the Second Commodity Contract by using a Capital Asset Pricing Model and adjusted by the specific risk premium (Note 9)
3) As at 31 December 2017, the Third Commodity Contract classified as liabilities relating to commodity contracts at level 2 category of HK$73,136,000 (2016: N/A)	Committed quantity of iron ore to be purchased by the Group and expected Platts Iron Ore price	N/A
4) As at 31 December 2017, the unlisted equity securities classified as financial assets at fair value through profit or loss at level 3 category of HK$121,596,000 (2016: N/A)	Discounted cash flow The key input is the discount rate	Discount rate
5) As at 31 December 2017, the financial assets carrying interest at floating rates classified as financial assets at fair value through profit or loss at level 3 category of HK$114,676,000 (2016: N/A)	Discounted cash flow The key input is the interest rate	Interest rate

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(i) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Note 1: An increase in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the First Commodity Contracts by HK$12,690,000 (2016: nil).

Note 2: An increase in the average growth rate of the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase (2016: a decrease) in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the average growth rate of the capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the First Commodity Contracts by HK$2,583,000 (2016: decrease/increase by HK$138,000).

Note 3: An increase in the Platts iron ore price used in isolation would result in an increase in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the Platts iron ore price holding all other variables constant would increase/decrease the carrying amount of the First Commodity Contracts by HK$2,819,000 (2016: HK$6,707,000).

Note 4: An increase in the market commission saving used in isolation would result in an increase in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the market commission saving holding all other variables constant would increase/decrease the carrying amount of the First Commodity Contracts by HK$6,999,000 (2016: HK$5,770,000).

Note 5: An increase in the forecasted annual production of the mines used in isolation would result in an increase in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the forecasted annual production of the mines holding all other variables constant would increase/decrease the carrying amount of the First Commodity Contracts by HK$15,125,000 (2016: HK$18,171,000).

Note 6: An increase in the discount rate to the valuation model used in isolation would result in a decrease in the fair value measurement of the First Commodity Contracts, and vice versa. A 10% increase/decrease in the discount rate to the valuation model holding all other variables constant would decrease/increase the carrying amount of the First Commodity Contracts by HK$6,673,000 (2016: HK$18,860,000).

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(i) Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Note 7: An increase in the Platts iron ore price used in isolation would result in a decrease in the fair value measurement of the Second Commodity Contract, and vice versa. A 10% increase/decrease in the Platts iron ore price holding all other variables constant would decrease/increase the carrying amount of the Second Commodity Contracts by HK$1,885,000.

Note 8: An increase in the forecasted annual production of the mines used in isolation would result in a decrease in the fair value measurement of the Second Commodity Contract, and vice versa. A 10% increase in the forecasted annual production of the mines holding all other variables constant would decrease the carrying amount of the Second Commodity Contract by HK$23,000. A 10% decrease in the forecasted annual production of the mines holding all other variables constant would increase the carrying amount of the Second Commodity Contract by HK$1,411,000.

Note 9: An increase in the discount rate to the valuation model used in isolation would result in an increase in the fair value measurement of the Second Commodity Contract, and vice versa. A 10% increase/decrease in the discount rate to the valuation model holding all other variables constant would increase/decrease the carrying amount of the Second Commodity Contract by HK$80,000.

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(i) *Fair value of the financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

Fair value hierarchy as at 31 December 2017

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Commodity contracts	**–**	**–**	**151,244**	**151,244**
Unlisted equity securities	**–**	**–**	**121,596**	**121,596**
Financial assets carrying interests at floating rates	**–**	**–**	**114,676**	**114,676**
Financial liabilities at FVTPL				
Commodity contracts	**–**	**(73,136)**	**(18,853)**	**(91,989)**
Total	**–**	**(73,136)**	**368,663**	**295,527**

Fair value hierarchy as at 31 December 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Commodity contracts	–	–	181,716	181,716
Financial assets at FVTOCI				
Listed equity securities	783	–	–	783
Total	783	–	181,716	182,499

There were no transfers between Level 1 and 2 during both years.

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(ii) Reconciliation of level 3 fair value measurements of financial assets (liabilities)

	Unlisted equity securities HK$'000	First Commodity Contracts HK$'000	Second Commodity Contract HK$'000	Financial assets carrying interests at floating rates HK$'000
At 1 January 2016	55,409	312,852	–	–
Total gains or losses:				
– to profit or loss	–	(131,136)	–	–
– to other comprehensive income	(51,808)	–	–	–
Exchange difference	(3,601)	–	–	–
At 31 December 2016 and 1 January 2017	–	181,716	–	–
Total gains or losses:				
– to profit or loss	–	(30,472)	(18,853)	–
Acquisition of subsidiary (note 35)	121,596	–	–	114,676
At 31 December 2017	121,596	151,244	(18,853)	114,676

Losses of HK$49,325,000 (2016: HK$131,136,000) relate to First Commodity Contracts and Second Commodity Contract held at the end of the current year and are included in "other gains and losses" in the consolidated statement of profit or loss and other comprehensive income.

In 2016, included in other comprehensive income is an amount of HK$51,808,000 fair value loss related to unlisted equity securities designated as at FVTOCI held prior to the date of Disposal and are reported as changes of security investment reserve.

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

33d. Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The Group has no such financial assets or financial liabilities outstanding in the consolidated statement of financial position which are under master netting agreements. No material impact on the amounts reported in the Group's consolidated financial statements and respective disclosures relating to the Group's master netting agreements as no such contracts outstanding.

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

Ultimate Century Investments Limited, a wholly-owned subsidiary of the Company, was incorporated in the British Virgin Islands on 25 August 2016. On 30 September 2016, the Company transferred the entire equity interest of its direct wholly-owned subsidiaries, namely Firstlevel Holdings Limited, Central Pro Investments Limited and Cheer Source Limited to Ultimate Century Investments Limited (Ultimate Century Investments Limited and its subsidiaries are collectively referred to as the "Disposal Group"). The principal activities of the Disposal Group are manufacture and sale of steel and related products and mining, processing and sale of iron ore. On 30 September 2016, the Company waived amounts of approximately HK$2,080,958,000 due by the Disposal Group. On 3 October 2016, the Company and Shougang Holding Bonds Limited (the "Purchaser"), a wholly-owned subsidiary of a controlling shareholder of the Company, entered into a sale and purchase agreement pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire equity interest in Ultimate Century Investments Limited at consideration of HK$1 (the "Disposal"). The Disposal has been completed on 30 December 2016 on which the control of the Disposal Group has been passed to the Purchaser. After the Disposal, the Group discontinued the steel manufacturing and mineral exploration and processing operations, the Group treated these operations as discontinued operations in 2016. The consolidated net liabilities of the Disposal Group at the date of the disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment properties	31,287
Property, plant and equipment	8,034,429
Prepaid lease rentals	278,788
Interest in an associate	31,996
Deposits for acquisition of property, plant and equipment	7,229
Inventories	1,317,139
Trade and bills receivables	1,950,799
Trade receivables from related companies	81,494
Prepayments, deposits and other receivables	378,673
Amounts due from related companies	130,842
Amount due from ultimate holding company of a shareholder	8,061
Amount due from an associate	2,040
Restricted bank deposits	617,298
Bank balances and cash	131,838
Trade and bills payables	(3,670,348)
Trade payables to related companies	(624,888)
Trade payable to ultimate holding company of a shareholder	(6,715,616)
Other payables, provisions and accrued liabilities	(1,231,409)
Tax payable	(110)
Bank borrowings	(4,687,324)
Deferred tax liabilities	(25,214)
Amounts due to related companies	(216,318)
Amount due to ultimate holding company of a shareholder	(2,466)
Loans from ultimate holding company of a shareholder	(2,043,407)
Net liabilities disposed of	(6,215,187)

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

Gain on disposal of subsidiaries:

	HK$'000
Consideration received at HK$1	–
Net liabilities disposed of	6,215,187
Non-controlling interests	(1,367,154)
Gain on disposal recognised in capital contribution reserve (Note)	4,848,033

Note: Gain from the Disposal has been directly recognised in the reserve as it is deemed as the capital contribution from the Group's major shareholder. The management concludes that the accounting treatment and the current disclosures in relation to the Disposal is proper.

Net cash outflow arising on disposal:

	HK$'000
Cash consideration received	–
Less: Bank balances and cash disposed of	(131,838)
	(131,838)

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

The results of the steel manufacturing and mineral exploration and processing operation for the period from 1 January 2016 to date of disposal, were as follows:

	1 January 2016 to 30 December 2016 (date of disposal) HK$'000
Revenue	6,262,980
Cost of sales	(6,590,510)
Gross loss	(327,530)
Other income	35,646
Other gains and losses	(22,788)
Distribution and selling expenses	(102,963)
Administrative expenses	(586,414)
Finance costs	(478,100)
Share of results of an associate	645
Loss before taxation	(1,481,504)
Income tax credit	3,499
Loss for the period	(1,478,005)
Loss for the period attributable to:	
Owners of the Company	(1,144,947)
Non-controlling interests	(333,058)
	(1,478,005)

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

Segment revenue and results

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

For the period from 1 January 2016 to 30 December 2016

	Steel manufacturing HK$'000	Mineral exploration and processing HK$'000	Total HK$'000
Revenue			
External sales	6,262,980	–	6,262,980
Segment loss	(750,330)	(268,413)	(1,018,743)
Interest income			14,694
Finance costs			(478,100)
Share of results of an associate			645
Loss before taxation from discontinued operations			(1,481,504)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, finance costs and share of results of an associate. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

Other segment information

2016

	Steel manufacturing HK$'000	Mineral exploration and processing HK$'000	Total HK$'000
Discontinued operations			
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (Note)	171,873	25,699	197,572
Amortisation of prepaid lease rentals	6,970	446	7,416
Depreciation of property, plant and equipment	767,598	64,255	831,853
Loss on disposal of property, plant and equipment	18	32	50
Research and development cost recognised as expenses	7,492	–	7,492
Allowance of impairment loss for trade and other receivables, net	20,083	6,503	26,586
(Reversal of allowance) allowance for inventories, net	(253,400)	2,010	(251,390)
Increase in fair value of investment properties	(42)	–	(42)

Note: Non-current assets exclude equity investments.

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

	1 January 2016 to 30 December 2016 HK$'000
Loss for the period has been arrived at after charging (crediting):	
Interest income on bank deposits, included in other income	(14,694)
Allowance for trade and other receivables, net (included in other gains and losses)	26,586
Staff costs	
– basic salaries and allowances	327,839
– retirement benefit scheme contributions	52,644
Total staff costs	380,483
Amortisation of prepaid lease rentals	7,416
Depreciation of property, plant and equipment	831,853
Total depreciation and amortisation	839,269
Cost of inventories recognised as expenses (included reversal of allowance for inventories of HK$251,390,000) included in cost of sales	6,590,510
Research and development cost recognised as expenses	7,492
Interest on:	
Bank borrowings	259,854
Loan from ultimate holding company of a shareholder	80,857
Others	17,144
Total borrowing costs	357,855
Add: Factoring cost for discount receivables	120,245
	478,100
Gross rental income from investment properties, net of direct operating expense of nil	1,200

34. DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS (continued)

Information about major customers

During the period from 1 January 2016 to 30 December 2016, one customer accounted for 10% or more of the Group's revenue from discontinued operations. Sales to this customer under the segment of steel manufacturing contributed 10.6% (approximately HK$661,879,000) to the Disposal Group's revenue.

35. ACQUISITIONS OF SUBSIDIARIES

35a. Acquisition of Beijing-Hebei

On 8 September 2017, the Group entered into a sale and purchase agreement with Beijing Shougang Funds Co., Ltd. ("Shougang Funds"), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group, to acquire 95% of the equity interest in Beijing-Hebei, a limited liability company established in the PRC. The acquisition was completed on 13 December 2017. On 21 December 2017, the Group entered into another sale and purchase agreement with an independent third party to acquire 5% of the equity interest in Beijing-Hebei (collectively referred to as the "First Acquisition"). The principal activity of Beijing-Hebei and its subsidiaries (collectively referred to as the "Beijing-Hebei Group") is the provision of private fund management services in the PRC.

Consideration transferred

	HK$'000
Cash	286,985

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35a. Acquisition of Beijing-Hebei (continued)

Consideration transferred *(continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	1,877
Financial assets at fair value through profit or loss	
– non-current	121,596
Other non-current assets	28,586
Trade receivables	5,102
Prepayments, deposits and other receivables	3,147
Financial assets at fair value through profit or loss	
– current	34,223
Bank balances and cash	74,936
Trade payables	(374)
Other payables, provision and accrued liabilities	(10,836)
Tax payable	(4,591)
Deferred tax liabilities	(11,102)
	242,564

The fair value of assets have been determined on a provisional basis as the fair value of identifiable assets acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date. The fair value is being valued by Flagship Appraisals and Consulting Limited, an independent qualified professional valuer, not connected to the Group.

The fair value of trade receivables of the Beijing-Hebei Group at the date of acquisition amounted to approximately HK$5,102,000 which approximates to the gross contractual amounts. Based on the best estimate at acquisition date, the contractual cash flows are expected to be fully collected.

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35a. Acquisition of Beijing-Hebei (continued)

Goodwill arising on the First Acquisition:

	HK$'000
Consideration transferred	286,985
Plus: non-controlling interests in the Beijing-Hebei Group	9,261
Less: net assets acquired	(242,564)
Goodwill arising from acquisition	53,682

Goodwill arose in the First Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively includes amounts in relation to the benefit of revenue growth, future market development and the assembled workforce of the Beijing-Hebei Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the First Acquisition is expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests in subsidiaries of the Beijing Hebei Group recognised at the acquisition date were measured by reference to the non-controlling interests' share of the recognised amount of the net assets of respective subsidiaries of Beijing Hebei and amounted to approximately HK$9,261,000.

Net cash outflow on the First Acquisition:

	HK$'000
Cash consideration paid	(286,985)
Less: cash and cash equivalent balances acquired	74,936
Net cash outflow	(212,049)

The Beijing-Hebei Group did not have any contribution to the Group's revenue or results for the year ended 31 December 2017 as the completion of the First Acquisition was just before 31 December 2017.

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35a. Acquisition of Beijing-Hebei (continued)

Had the First Acquisition been completed on 1 January 2017, total group revenue for the year would have been HK$3,857 million, and profit for the year would have been HK$56 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

35b. Acquisition of Shouzhong Investment Management Co., Ltd. ("Shouzhong")

On 8 September 2017, the Group entered into another sale and purchase agreement with Shougang Funds to acquire 40% equity interest in Shouzhong, a limited liability company established in the PRC. The acquisition was completed on 21 December 2017. On 21 December 2017, the Group entered into another sale and purchase agreement with an independent third party to acquire approximately 4.94% equity interest in Shouzhong (collectively referred to as the "Second Acquisition"). The principal activity of Shouzhong and its subsidiaries (collectively referred to as the "Shouzhong Group") is provision of design, architecture, operation and management services of car parking lots with a focus on smart car parking system in the PRC.

Upon completion of the Second Acquisition, the Group has the right to nominate three out of the five members of the board of directors of Shouzhong and is regarded as having control over Shouzhong as detailed in note 4. As such, Shouzhong is accounted as a non-wholly owned subsidiary of the Company, and the financial results of Shouzhong Investment Management Co., Ltd. is consolidated into the results of the Group.

Consideration transferred

	HK$'000
Cash	153,482

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35b. Acquisition of Shouzhong (continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	620
Other non-current assets	81,613
Interest in a joint venture	81,299
Trade receivables	1,308
Prepayments, deposits and other receivables	39,938
Financial assets at fair value through profit or loss – current	80,453
Bank balances and cash	96,810
Trade payables	(2,109)
Other payables, provision and accrued liabilities	(47,390)
Deferred tax liabilities	(14,072)
	318,470

The fair value of assets have been determined on a provisional basis as the fair value of identifiable assets acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date. The fair value is being valued by Flagship Appraisals and Consulting Limited, an independent qualified professional valuer, not connected to the Group.

The fair value of trade receivables of the Shouzhong Group at the date of acquisition amounted to approximately HK$1,308,000 which approximates to the gross contractual amounts. Based on the best estimate at acquisition date, the contractual cash flows are expected to be fully collected.

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35b. Acquisition of Shouzhong (continued)

Goodwill arising on the Second Acquisition:

	HK$'000
Consideration transferred	153,482
Plus: non-controlling interests in the Shouzhong Group	209,602
Less: net assets acquired	(318,470)
Goodwill arising from acquisition	44,614

Goodwill arose in the Second Acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of revenue growth, future market development the Shouzhong Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the Second Acquisition is expected to be deductible for tax purposes.

Non-controlling interests

The non-controlling interests in the Shouzhong Group recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of the recognised amount of the net assets of Shouzhong and respective subsidiaries of Shouzhong and amounted to approximately HK$209,602,000.

Net cash outflow on the Second Acquisition:

	HK$'000
Cash consideration paid	(153,482)
Less: cash and cash equivalent balances acquired	96,810
Net cash outflow	(56,672)

35. ACQUISITIONS OF SUBSIDIARIES (continued)

35b. Acquisition of Shouzhong Investment Management Co., Ltd. ("Shouzhong") (continued)

The Shouzhong Group did not have any contribution to the Group's revenue or results for the year ended 31 December 2017 as the completion of the Second Acquisition was just before 31 December 2017.

Had the Second Acquisition been completed on 1 January 2017, total group revenue for the year would have been HK$3,821 million, and profit for the year would have been HK$42 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

35c. Costs of acquisitions

Costs related to First Acquisition and Second Acquisition amounting to HK$3,494,000 have been excluded from the consideration transferred and have been recognised as an expense in current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

36. MAJOR NON-CASH TRANSACTIONS

In 2016, advances drawn on bills receivables of HK$521,728,000 (for the year ended 31 December 2017: nil) were settled by the bills receivables discounted with banks.

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2017 HK$'000	2016 HK$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Land and buildings	**4,798**	4,565

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings	
	2017 HK$'000	2016 HK$'000
Within one year	**6,598**	4,532
In the second to fifth years inclusive	**4,887**	9,065
	11,485	13,597

The Group leases certain of its office premises in Hong Kong and the PRC under operating lease arrangements. As at 31 December 2017, leases for properties are negotiated for one to three years.

The Group as lessor

	2017 HK$'000	2016 HK$'000
Minimum lease payments received under operating leases during the year are as follows:		
Investment properties	**216**	1,223

37. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor (continued)

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

	Investment properties	
	2017	2016
	HK$'000	HK$'000
Within one year	**193**	193

38. CAPITAL COMMITMENTS

	2017	2016
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of capital injection to investment fund	**36,024**	–
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of car park properties	**118,159**	–

39. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of the Group, in funds under the control of trustees. The cost charged to the profit or loss represented contributions payable to the funds by the Group at rates specified in the rules of the schemes.

In addition to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong, the Group is required to contribute to central pension schemes for certain Group's employees in the PRC based on applicable rates of monthly salary in accordance with government regulations. The only obligation of the Group with respect to the retirement benefit scheme is to make the specific contributions.

40. CONTINGENT LIABILITIES

During the ordinary course of business in December 2013, a subsidiary of the Group engaged a charterer of a vessel to transport a cargo of iron ores to its customer in China and issued a letter of indemnity ("LOI") to the charterer for delivering the cargo to the Group's customer without production of the original bill of lading (the "Bill of Lading"). The provision of the LOI was the prevailing market practice in the trading of iron ore. The goods were subsequently sold to a final buyer after several sales and purchases not in relation to the Group afterwards. The issuing bank for the letter of credit issued for the final buyer ("Issuing Bank") honoured the payment to the seller under the letter of credit. The final buyer went into bankruptcy afterwards. The Issuing Bank was therefore not reimbursed. As the final buyer has not paid the cargo proceeds to the Issuing Bank, the Issuing Bank was the lawful holder of the Bill of Lading. However, the Issuing Bank found that the goods were taken by the final buyer without presenting the Bill of Lading. The Issuing Bank appealed to the Qingdao Maritime Court ("Qingdao Court") to arrest the vessel. The vessel owner paid approximately USD10.3 million to secure the release of the vessel. The vessel owner in turn sued the charterer for the security deposit paid and the charterer reimbursed to the vessel owner. In turn, the charterer sued the Group's subsidiary which had engaged it to carry on the transportation services. This legal case has been presented to the High Court of Justice Queen's Bench Division Commercial Court, England ("High Court"). At the same time, the Group sued its customer for the same amount for the reimbursement claim according to the back-to-back indemnity claim. This legal case in High Court is finalised and it is judged that the Group is liable to the charterer and its customer is liable to the Group. As at 31 December 2017 and up to the date of this report, no official final judgement has been received by the Group. As the legal case between the Issuing Bank and the vessel owner in Qingdao Court is still under proceeding, the amount claimed by the vessel owner is not yet known. The Directors are of the opinion that it is unlikely the Group would have any liability on this case and in addition, the Group is entitled to an indemnity from its customer pursuant to the LOI issued by the customer, thus no provision for this legal case (other than legal costs) has been provided for.

41. PLEDGE OF ASSETS

As at 31 December 2016, the following items were used to secure banking facilities granted to the Group:

(a) Pledged bank deposits of HK$23,073,000.

(b) Pledge of 863,000,000 shares of the listed associate, Shougang Resources, (approximately 16.2% interest therein) held by the Group with the market value of approximately HK$1,311,760,000.

As at 31 December 2017, no assets were used to secure bank facilities granted to the Group.

42. RELATED PARTY DISCLOSURES

The Group is a subsidiary of Shougang HK, which is a wholly-owned subsidiary of Shougang Group Co., Ltd. (formerly known as Shougang Corporation), a state-owned enterprise under the supervision of the Beijing State-owned Assets Supervision and Administration Commission. Accordingly, the Company and the Group are significantly influenced by Shougang Group. Shougang Group is part of a larger group of companies under the PRC government. Accordingly, the Group is a government related entity in accordance with HKAS 24. The transactions and balances with Shougang Group and other PRC government related entities are disclosed in note 42(I) to 42(III).

(I) Transactions with related parties

	Notes	**2017** **HK$'000**	2016 HK$'000
Continuing operations			
Shougang Group			
Sales by the Group	(a)	**2,040**	30,059
Purchases by the Group	(b)	**541,229**	380,409
Underwriting commission charged to the Group	(c)	**10,524**	–
Associate of the Group			
Services provided by the Group	(d)	**1,560**	1,560
Discontinuing operations			
Shougang Group			
Sales by the Group	(e)	**–**	323,960
Purchases by the Group	(f)	**–**	2,068,757
Interest charged to the Group	(g)	**–**	80,857

42. RELATED PARTY DISCLOSURES (continued)

(I) Transactions with related parties (continued)

Notes:

(a) The Group provides management services and sale of iron ore to Shougang Group.

(b) Shougang Group provides materials, leasing and management services to the Group.

(c) The commission expenses are charged by Shougang Group in respect of the underwriting of open offer shares by Shougang Group as set out in note 30.

(d) The Group provides company secretarial and administrative services to its associate.

(e) The Group provides raw materials, scrap materials, steel products, leasing and services to Shougang Group and/or its associates.

(f) Shougang Group and/or its associates provide raw materials, materials, fuel, energy, equipment, spare parts, steel products, leasing and management services to the Group.

(g) The interest expenses were charged by the Shougang Group in respect of loans granted to the Group at interest rates ranging from 4.35% to 6% per annum.

In addition, details of share options held by Directors as at 31 December 2017 are disclosed in note 31 and the details of the disposal of subsidiaries to Shougang Holding Bonds Limited and acquisition of subsidiaries from Shougang Group are disclosed in notes 34 and 35 respectively.

(II) Balances with Shougang Group

Details of balances with the Group's related companies are set out in note 23.

(III) Transactions/balances with other PRC government controlled entities

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

42. RELATED PARTY DISCLOSURES (continued)

(IV) Transaction/balance with non-PRC government-related entities

During the year ended 31 December 2016, the Group sold goods amounting to HK$20,878,000 to an associate of Disposal Group, Qinhuangdao Shouqin K. Wah Construction Materials Company Limited.

The amount due from an associate is unsecured, interest-free and is repayable on demand.

(V) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year is as follows:

	2017	2016
	HK$'000	HK$'000
Short-term employee benefits	**3,620**	3,869
Post-employment benefits	**18**	18
	3,638	3,887

The remuneration of key management personnel is determined by the Remuneration Committee of the Board of Directors having regard to the market practice, competitive market position and individual performance.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings (Note 28) HK$'000
At 1 January 2017	616,783
Financing cash flows	(621,154)
Foreign exchange translation	4,371
At 31 December 2017	–

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE

Details of the Company's principal subsidiaries at 31 December 2016 and 2017 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
			%	%	**%**	%	
Shougang Concord Management Company Limited	Hong Kong	HK$100,000 Ordinary shares	**100**	100	**–**	–	Provision of management services
Shougang Concord Steel International Trading Co. Ltd.	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Inactive

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	**2017** %	2016 %	
Shougang Concord Shipping Holdings Limited	British Virgin Islands/ Hong Kong	US$641,025 Ordinary shares	**100**	100	**–**	–	Investment holding
Shougang Concord International Transport Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Shougang Concord Shipping Services Limited	Hong Kong	HK$2 Ordinary shares	**–**	–	**100**	100	Provision of management services
SCIT Services Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Provision of management services
SCIT Trading Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100**	100	Trading of iron ore
Fair Union Holdings Limited	Samoa/ Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Richson Limited	Samoa/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Casula Investments Limited	Samoa/ Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	2017 %	2016 %	
Shougang Concord Services Limited	Hong Kong	HK$2 Ordinary shares	100	100	–	–	Provision of management services
Sky Choice International Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Timefull Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Excel Bond Investments Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Fair Gain Investments Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Fine Power Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Ultimate Capital Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Shougang Concord International Trading Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Trading of iron ore
Jingji Holdings Limited	Samoa/ Hong Kong	HK$1 Ordinary share	100	–	–	–	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	2017 %	2016 %	
Shouzhong Holdings Limited	Samoa/ Hong Kong	HK$1 Ordinary Share	100	–	–	–	Investment holding
Jingji (Hong Kong) Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Investment holding
Ultimate Sense Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Investment holding
Shouzhong (Hong Kong) Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Investment holding
Sonic Victory Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Investment holding
京冀協同發展示範區(唐山)基金管理有限公司 Beijing-Hebei* △^	PRC	RMB166,000,000	–	–	100	–	Provision of private fund management services
首中投資管理有限公司 Shouzhong* △#	PRC	RMB391,200,000	–	–	44.94	–	Car park operation

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017	2016	**2017**	2016	
			%	%	**%**	%	
北京京祥本盛經濟咨詢有限公司△^	PRC	–	**–**	–	**100**	–	Provision of private fund management services
北京恒泰盛源投資管理有限公司△^	PRC	RMB26,000,000	**–**	–	**100**	–	Provision of private fund management services
首鋼東北振興產業基金管理有限公司△^	PRC	RMB50,000,000	**–**	–	**100**	–	Provision of private fund management services
北京僑創投資管理有限公司△^	PRC	RMB5,000,000	**–**	–	**100**	–	Provision of private fund management services
首華京西協同創新(北京)科技發展有限公司△^	PRC	–	**–**	–	**85.71**	–	Provision of private fund management services
北京智投匯文創科技有限公司△^	PRC	RMB10,000,000	**–**	–	**80**	–	Provision of private fund management services

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2017 %	2016 %	2017 %	2016 %	
成都首鋼絲路股權投資基金管理有限公司△^	PRC	RMB5,000,000	–	–	70	–	Provision of private fund management Services
北京京西匯晨投資管理有限責任公司△^	PRC	RMB5,000,000	–	–	70	–	Provision of private fund management Services
北京首元新能投資管理有限公司△^	PRC	RMB10,000,000	–	–	60	–	Provision of private fund management Services
北京路通順捷停車場管理有限公司△#	PRC	RMB20,851,500	–	–	35.95	–	Car park operation
上海暢行停車管理有限公司△#	PRC	RMB20,000,000	–	–	40.45	–	Car park operation
北京首中易泊停車場管理有限公司△#	PRC	–	–	–	44.94	–	Car park operation
成都首中易泊停車場管理有限公司△#	PRC	RMB5,000,000	–	–	44.94	–	Car park operation

△ Limited company established in the PRC

* For identification purpose only

^ Subsidiaries under Beijing-Hebei Group

Subsidiaries under Shouzhong Group

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal place of business and activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries As at 31 December 2017	As at 31 December 2016
Investment holding	Hong Kong	**2**	3

Details of the Company's principal associates and joint venture at 31 December 2016 and 2017 are as follows:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares/ registered capital held	Proportion of issued shares/ registered capital held by the Group 2017	2016	Proportion of voting power held 2017	2016	Principal activities
Shougang Resources	Incorporated	Hong Kong	PRC	Ordinary	**27.61%**	27.61%	**27.61%**	27.61%	Coking coal mining, production and sale of coking coal products and side products
Shougang Century	Incorporated	Hong Kong	PRC	Ordinary	**35.71%**	35.71%	**35.71%**	35.71%	Manufacturing and sales of steel cords and processing and trading of copper and brass products
北京首中停車管理有限公司 Beijing Shouzhong Car Parking Management Company Limited* △	Incorporated	PRC	PRC	Ordinary	**21.63%**	–	**21.63%**	–	Car park management services

△ Limited company established in the PRC.

* For identification purpose only

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of registration and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017**	2016	**2017**	2016
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shouzhong Group (Note)	PRC	**55.06**	–	**–**	–	**209,602**	–
Individually immaterial subsidiaries with non-controlling interests				**–**	–	**9,261**	–
				–	–	**218,863**	–

Note: As stated in Note 4, although the Group has only 44.94% ownership in Shouzhong, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant entities of Shouzhong on the basis of the Group's absolute size of shareholding.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES/ASSOCIATES/JOINT VENTURE (continued)

Summarised financial information in respect of Shouzhong Group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Shouzhong Group	**2017** **HK$'000**
Current assets	**218,509**
Non-current assets	**163,532**
Current liabilities	**(49,499)**
Non-current liabilities	**(14,072)**
Equity attributable to owners of the Company	**108,868**
Non-controlling interests	**209,602**
Dividends paid to non-controlling interests	**–**

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	**2,323,740**	2,299,581
Interest in an associate	**4,876**	4,876
Amounts due from subsidiaries	**3,595,030**	3,153,158
Assets relating to commodity contracts	**151,244**	181,716
	6,074,890	5,639,331
CURRENT ASSETS		
Prepayments, deposits and other receivables	**3,367**	2,214
Amounts due from related companies	**–**	53
Amounts due from associates	**–**	26
Loan to a subsidiary	**207,039**	–
Pledged bank deposits	**–**	23,073
Bank balances and cash	**995,740**	464,138
	1,206,146	489,504

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
CURRENT LIABILITIES		
Other payables and accrued liabilities	**1,441**	5,368
Amounts due to subsidiaries	**815,737**	919,880
Bank borrowings — due within one year	**–**	616,783
Other financial liabilities	**359**	75
Liabilities relating to commodity contracts	**18,853**	–
	836,390	1,542,106
NET CURRENT ASSETS (LIABILITIES)	**369,756**	(1,052,602)
NET ASSETS	**6,444,646**	4,586,729
CAPITAL AND RESERVES		
Share capital	**7,349,545**	5,345,183
Reserves (Note)	**(904,899)**	(758,454)
	6,444,646	4,586,729

The statement of financial position of the Company was approved by the Board of Directors on 28 March 2018 and was signed on its behalf by:

Zhao Tianyang
DIRECTOR

Liang Hengyi
DIRECTOR

45. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

Note:

	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY			
At 1 January 2016	289,560	(2,390,083)	(2,100,523)
Profit for the year and total comprehensive income	–	1,342,069	1,342,069
At 31 December 2016	289,560	(1,048,014)	(758,454)
Loss for the year and total comprehensive expense	–	(146,445)	(146,445)
At 31 December 2017	289,560	(1,194,459)	(904,899)

46. EVENT AFTER THE REPORTING PERIOD

On 12 March 2018, the Company and Shouzhong (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with CIMC Transportation Equipment (International) Holdings Limited ("CIMC Transportation") pursuant to which Shouzhong (Hong Kong) Limited will acquire approximately 44.94% of the registered capital of Shouzhong from CIMC Transportation at a consideration of RMB209,884,269. The transaction was completed on 23 March 2018, Shouzhong was then owned as to approximately 89.89% by the Group and Shouzhong was remain as a non-wholly owned subsidiary of the Company. The whole consideration was settled by the Company issuing to CIMC Transportation an aggregate of 1,047,931,056 new shares at the issue price of HK$0.2475 per share on 26 March 2018. CIMC Transportation became a shareholder of the Company holding over 5% interest in the Company.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	4,430,439	1,906,787	416,121	1,035,606	**3,816,145**
Profit (loss) for the year from continuing operations	375,205	(360,731)	(1,445,796)	(476,215)	**57,286**
Loss for the year from discontinued operations	(2,319,961)	(1,677,641)	(2,443,843)	(1,478,005)	**–**
(Loss) profit for the year	(1,944,756)	(2,038,372)	(3,889,639)	(1,954,220)	**57,286**
Attributable to:					
Owners of the Company	(1,395,502)	(1,640,708)	(3,349,310)	(1,621,162)	**57,286**
Non-controlling interests	(549,254)	(397,664)	(540,329)	(333,058)	**–**
	(1,944,756)	(2,038,372)	(3,889,639)	(1,954,220)	**57,286**

ASSETS AND LIABILITIES

	At 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	28,568,892	25,887,668	21,262,373	5,847,436	**8,186,309**
Total liabilities	(21,949,741)	(21,644,268)	(21,042,435)	(1,142,226)	**(942,657)**
	6,619,151	4,243,400	219,938	4,705,210	**7,243,652**
Equity attributable to owners of the Company	6,801,786	4,825,802	1,336,312	4,705,210	**7,024,789**
Non-controlling interests	(182,635)	(582,402)	(1,116,374)	–	**218,863**
	6,619,151	4,243,400	219,938	4,705,210	**7,243,652**

SUMMARY OF INVESTMENT PROPERTIES

Particulars of major investment properties held by the Group as at 31 December 2017 are as follows:

Property	Use	Group interest	Category of the lease
Flat A2 on 8th Floor, Pearl City Mansion, Nos. 22-36 Paterson Street, Causeway Bay, Hong Kong	Residential	100%	Long-term lease