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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

– Consolidated revenue from continuing operations was HK$3,816 million, up 268.5% from last year.

– Profit attributable to shareholders was HK$57 million.

– Earnings per share was 0.56 HK cent.

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**For the year ended 31 December** **2017** **HK$'000**	2016 HK$'000
Continuing operations			
Revenue	*4*	**3,816,145**	1,035,606
Cost of sales		**(3,807,035)**	(986,212)
Gross profit		**9,110**	49,394
Other income	*5*	**6,501**	7,683
Other gains and losses	*6*	**(147,197)**	(146,352)
Administrative expenses		**(42,261)**	(58,958)
Finance costs	*7*	**(17,392)**	(31,036)
Impairment loss on interest in an associate	*12*	**–**	(257,000)
Share of results of associates		**248,525**	9,118
Profit (loss) before taxation		**57,286**	(427,151)
Income tax expense	*8*	**–**	(49,064)
Profit (loss) for the year from continuing operations	*9*	**57,286**	(476,215)
Discontinued operations			
Loss for the year from discontinued operations	*17*	**–**	(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

	Notes	For the year ended 31 December 2017 HK$'000	2016 HK$'000
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)
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	*11*		
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		**6,900**	6,000
Property, plant and equipment		**4,850**	2,246
Interests in associates	*12*	**5,073,079**	4,654,460
Interest in a joint venture		**81,299**	–
Equity instruments		**–**	783
Deferred tax assets		**35,212**	32,291
Assets relating to commodity contracts		**151,244**	181,716
Financial assets at fair value through profit or loss – non-current		**121,596**	–
Other non-current assets		**208,495**	–
		5,682,675	4,877,496
CURRENT ASSETS			
Trade and bills receivables	*13*	**823,704**	394,779
Trade receivables from related companies	*14*	**–**	8,704
Prepayments, deposits and other receivables		**74,602**	5,414
Amounts due from related companies	*14*	**398**	456
Amounts due from associates		**8**	26
Financial assets at fair value through profit or loss – current		**114,676**	–
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
		2,503,634	969,940
CURRENT LIABILITIES			
Trade and bills payables	*15*	**569,191**	276,093
Trade payables to a related company	*14*	**–**	8,212
Other payables, provision and accrued liabilities		**95,895**	48,831
Liabilities relating to commodity contracts		**91,989**	–
Tax payable		**160,408**	192,307
Bank borrowings		**–**	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
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**25,174**	–
NET ASSETS		**7,243,652**	4,705,210

	Notes	**2017** **HK$'000**	2016 HK$'000
CAPITAL AND RESERVES			
Share capital	*16*	**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

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's 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 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 in due course.

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

3. 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

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

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 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. Debt instruments that 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 of the Company ("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 and bills receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

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 and may have an impact on the timing and amounts of revenue recognised in the respective reporting periods.

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. 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.

In addition, the Group currently considers refundable rental deposits paid 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.

4. 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:

	For the year ended 31 December	
	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 17)*	**–**	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 primarily include the provision of management services and leasing income.

As a result of the completion of the acquisitions of car park operation and private fund management business, 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 car park operation segment and private fund management segment is presented as the completion of the acquisitions were just before 31 December 2017.

The segment of steel manufacturing was discontinued in 2016.

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**

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. 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.

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

	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.

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 arising from the acquisitions, equity instruments and deferred tax assets.

Revenue from major products and services

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

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'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	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'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.

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:

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'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.

5. OTHER INCOME

Continuing operations

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest income on bank deposits	**6,501**	7,680
Sundry income	**–**	3
	6,501	7,683

6. OTHER GAINS AND LOSSES

Continuing operations

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'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 losses relating to commodity contracts of approximately HK$122,461,000, losses of approximately HK$45,419,000 relating to iron ore commodity contact in which the Group took delivery and sold during the year have been included in cost of sales.

7. FINANCE COSTS

Continuing operations

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'000
Interest on bank borrowings	**17,392**	31,036

8. INCOME TAX EXPENSE

Continuing operations

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'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 been 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 represents Hong Kong profits tax of approximately HK$49,061,000 in relation to the offshore trading profits of iron ores 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 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 purchase of tax certificate of approximately HK$48,343,000 by the Group as requested by the Inland Revenue Department.

9. PROFIT (LOSS) FOR THE YEAR

Continuing operations

	For the year ended 31 December	
	2017	2016
	HK$'000	HK$'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	**960**	960

10. DIVIDENDS

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

11. 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:

	For the year ended 31 December	
	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**	(1,621,162)

	For the year ended 31 December	
	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 that lapsed as at 13 December 2017 because the exercise price of those options was higher than the average market prices up to the date of forfeiture for shares for 2017.

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.

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:

	For the year ended 31 December	
	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)

	For the year ended 31 December	
	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 that lapsed as at 13 December 2017 because the exercise price of those options was higher than the average market prices up to date of forfeiture for shares for 2017.

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 (as defined in Note 16) of the Company on 16 November 2017, 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.

12. INTERESTS IN ASSOCIATES

	2017	2016
	HK$'000	HK$'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

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:

	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

13. TRADE AND BILLS RECEIVABLES

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

14. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM RELATED COMPANIES

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 are within credit period as at 31 December 2016.

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

	2017	2016
	HK$'000	HK$'000
Over 2 years	**–**	8,212

The amounts due from related companies are unsecured, interest-free and repayable on demand as at 31 December 2017 and 2016.

15. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	HK$'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.

16. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares issued and fully paid:		
At 1 January 2016, 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

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.

17. 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 payables 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)

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)

The results of the steel manufacturing and mineral exploration and processing operation for the period from 1 January 2016 to the 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)

18. 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 Investment Management Co., Ltd# (首中投資管理有限公司) ("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 become a shareholder of the Company holding over 5% interest in the Company.

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SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

FINAL DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 18 May 2018 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 May 2018 for registration.

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.

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PERFORMANCE REVIEW

	For the year ended 31 December 2017 HK$ Million	2016 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)

Key Performance Indicators

	For the year ended 31 December/ As at 31 December 2017 HK$ Million	2016 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.*

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.

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:

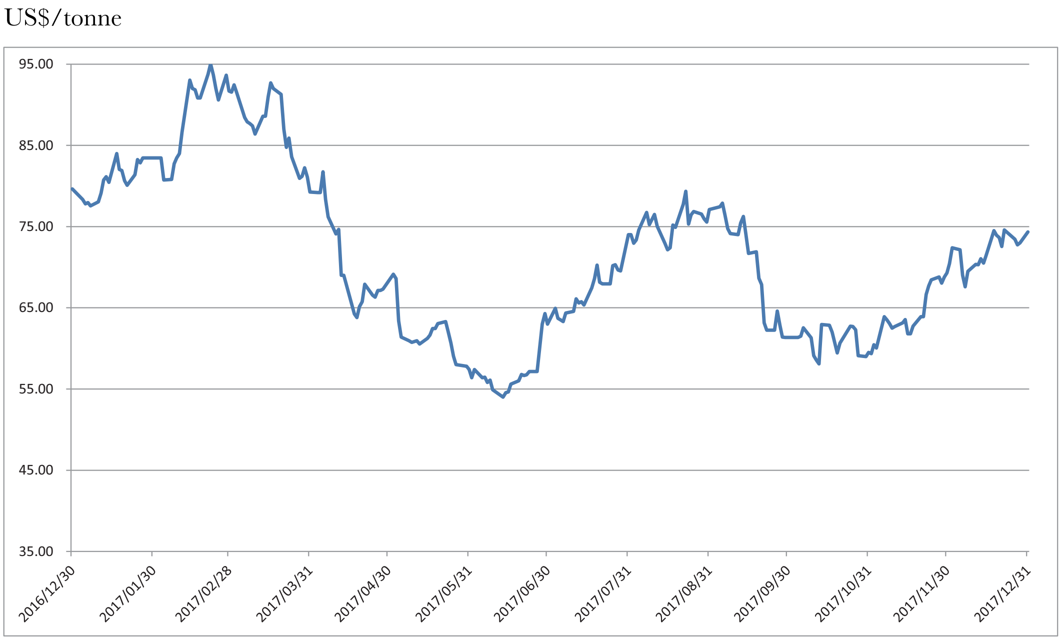
Operation/Entity	Attributable interest	For the year ended 31 December 2017 HK$ Million	2016 HK$ Million
Continuing operations			
1. Trading business	100%	**(99)**	35
Sub-total		**(99)**	35
2. Share of results of associates			
Shougang Resources	27.61%	**273**	5
Shougang Century	35.71%	**(24)**	4
Sub-total		**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)

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.



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.

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.

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 core (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 core 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.

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.

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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.

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.

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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.

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 loan 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.

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.

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.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2017 annual report.

APPRECIATION

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

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

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Li Shaofeng (Vice Chairman), Mr. Liang Hengyi (Managing Director), Mr. Shu Hong (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Liu Jingwei (Non-executive Director), Dr. Li Yinhui (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director), Mr. Leung Kai Cheung (Independent Non-executive Director) and Ms. Zhang Quanling (Independent Non-executive Director).