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 2016

FINANCIAL HIGHLIGHTS

– Consolidated revenue from continuing operations was HK$1,036 million, up 148.9% from last year.

– Loss attributable to shareholders was HK$1,621 million.

– Loss per share was 18.10 HK cents.

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 with comparative figures for the year ended 31 December 2015. 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 2016

	NOTES	For the year ended 31 December 2016 HK$'000	2015 HK$'000 (Restated)
Continuing operations			
Revenue	4	**1,035,606**	416,121
Cost of sales		**(986,212)**	(353,301)
Gross profit		**49,394**	62,820
Other income	5	**7,683**	12,374
Other gains and losses	6	**(15,216)**	2,405
Change in fair value of derivative financial instruments		**(131,136)**	(219,863)
Administrative expenses		**(58,958)**	(37,069)
Finance costs	7	**(31,036)**	(39,815)
Impairment loss on interest in an associate	12	**(257,000)**	(951,681)
Share of results of associates		**9,118**	(274,967)
Loss before taxation		**(427,151)**	(1,445,796)
Income tax expense	8	**(49,064)**	–
Loss for the year from continuing operations	9	**(476,215)**	(1,445,796)
Discontinued operations			
Loss for the year from discontinued operations	19	**(1,478,005)**	(2,443,843)
Loss for the year		**(1,954,220)**	(3,889,639)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**402,032**	203,496
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		**(51,815)**	(73,968)
Share of exchange differences of an associate arising on translation to presentation currency		**(35,927)**	(38,106)
Share of fair value gain (loss) on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**50,445**	(35,737)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**(139,772)**	(165,127)
Other comprehensive income (expense) for the year		**224,963**	(109,442)
Total comprehensive expense for the year		**(1,729,257)**	(3,999,081)

	NOTES	For the year ended 31 December 2016 HK$'000	2015 HK$'000 (Restated)
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(476,215)**	(1,445,501)
– from discontinued operations		**(1,144,947)**	(1,903,809)
		(1,621,162)	(3,349,310)
Loss for the year attributable to non-controlling interests:			
– from continuing operations		**–**	(295)
– from discontinued operations		**(333,058)**	(540,034)
		(333,058)	(540,329)
Total comprehensive expense attributable to:			
Owners of the Company		**(1,479,135)**	(3,489,490)
Non-controlling interests		**(250,122)**	(509,591)
		(1,729,257)	(3,999,081)
Loss per share	*11*		
From continuing and discontinued operations			
– Basic and diluted		**(18.10) HK cents**	(37.39) HK cents
From continuing operations			
– Basic and diluted		**(5.32) HK cents**	(16.14) HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Investment properties		**6,000**	38,818
Property, plant and equipment		**2,246**	9,239,351
Prepaid lease rentals		**–**	292,754
Interests in associates	*12*	**4,654,460**	5,353,944
Equity investments	*13*	**783**	56,199
Deferred tax assets		**32,291**	32,582
Other financial assets		**181,716**	312,852
Deposits for acquisition of property, plant and equipment		**–**	15,665
Pledged bank deposits		**–**	191,428
		4,877,496	15,533,593
CURRENT ASSETS			
Inventories		**–**	1,531,574
Trade and bills receivables	*14*	**394,779**	2,005,306
Trade receivables from related companies	*15*	**8,704**	126,205
Trade receivables from ultimate holding company of a shareholder	*16*	**–**	1,313
Prepayments, deposits and other receivables		**5,414**	399,431
Prepaid lease rentals		**–**	7,531
Amounts due from related companies	*15*	**456**	212,946
Amounts due from associates		**26**	7,372
Restricted bank deposits		**–**	832,566
Pledged bank deposits		**23,073**	85,062
Bank balances and cash		**537,488**	519,474
		969,940	5,728,780

	NOTES	2016 HK$'000	2015 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	*17*	**276,093**	3,464,157
Trade payables to related companies	*15*	**8,212**	652,676
Trade payables to ultimate holding company of a shareholder	*16*	**–**	7,074,234
Other payables, provision and accrued liabilities		**48,831**	1,175,267
Tax payable		**192,307**	144,669
Amounts due to related companies	*15*	**–**	263,378
Amount due to ultimate holding company of a shareholder	*16*	**–**	2,137
Bank borrowings – due within one year		**616,783**	5,986,616
Loans from ultimate holding company of a shareholder – due within one year		**–**	1,013,135
		1,142,226	19,776,269
NET CURRENT LIABILITIES		**(172,286)**	(14,047,489)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,705,210**	1,486,104
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**–**	818,938
Deferred tax liabilities		**–**	29,318
Loans from ultimate holding company of a shareholder – due after one year		**–**	417,910
		–	1,266,166
		4,705,210	219,938
CAPITAL AND RESERVES			
Share capital	*18*	**5,345,183**	5,345,183
Reserves		**(639,973)**	(4,008,871)
Equity attributable to owners of the Company		**4,705,210**	1,336,312
Non-controlling interests		**–**	(1,116,374)
		4,705,210	219,938

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's major shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 48% equity interest of the Company as at 31 December 2016, and the ultimate and immediate holding company of Shougang HK is Shougang Corporation, a company established in the People's Republic of China (the "PRC"). Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Company and its subsidiaries (collectively referred to as the "Group"), will hereinafter be referred to as the "Shougang Group". The addresses of the registered office and principal place of business of the Company are 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

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

Subsequent to the disposal of subsidiaries on 30 December 2016 as set out in note 19, the directors of the Company ("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$") with effect from 30 December 2016 after taking into consideration of the primary economic environment of the Company's main operations. The change of functional currency is applied prospectively from the date of change in accordance with HKAS 21 *The Effect of Changes in Foreign Exchange Rates*. The consolidated financial statements are also presented in HK$.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK$172,286,000 (2015: HK$14,047,489,000) as at 31 December 2016 and incurred loss of approximately HK$1,954,220,000 (2015: HK$3,889,639,000) during the year ended 31 December 2016. Taking into account the financial resources of the Group, including the financial support from the ultimate and immediate holding company of the major shareholder of the Company, Shougang Corporation, the Directors are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results 2016 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 2015 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 2016 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")

Application of new and revised HKFRSs

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

Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
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 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[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 2017

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 2015 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of office premises in Hong Kong as at 31 December 2016 amounted to HK$13,597,000, the Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 *Income Taxes*, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* under certain specific facts and circumstances.

The Directors do not anticipate that the amendments to HKAS 12 will have any effect on the Group's consolidated financial statements.

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 income during the year is as follows:

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Sale of iron ore	**921,970**	412,305
Sale of other steel related products	**110,014**	–
Management services income	**3,622**	3,816
	1,035,606	416,121
Discontinued operations		
Sale of steel products *(Note 19)*	**6,262,980**	6,844,690
Mineral exploration and processing	**–**	11,884
	6,262,980	6,856,574
	7,298,586	7,272,695

Segment information

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

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

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

The segments of steel manufacturing and mineral exploration and processing were discontinued in the current year.

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 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
Interest income			7,680
Central administration costs			(35,483)
Change in fair value of derivative financial instruments			(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.

For the year ended 31 December 2015 (Restated)

	Trading business HK$'000	Others HK$'000	Total HK$'000
Revenue			
External sales	412,305	3,816	416,121
Inter-segment sales	85,006	–	85,006
Segment revenue from continuing operations	497,311	3,816	501,127
Eliminations			(85,006)
Group revenue			416,121
Segment profit	45,119	7,521	52,640
Interest income			12,138
Central administration costs			(24,248)
Change in fair value of derivative financial instruments			(219,863)
Finance costs			(39,815)
Impairment loss on interest in an associate			(951,681)
Share of results of associates			(274,967)
Loss before taxation from continuing operations			(1,445,796)

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, change in fair value of derivative financial instruments, 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:

	2016	2015
	HK$'000	HK$'000
Segment assets		
Trading business	**587,579**	426,452
Others	**11,280**	5,250
Steel manufacturing	**–**	12,111,967
Mineral exploration and processing	**–**	1,434,503
Total segment assets	**598,859**	13,978,172
Interests in associates	**4,654,460**	5,353,944
Equity investments	**783**	56,199
Deferred tax assets	**32,291**	32,582
Amounts due from related companies – non-trade	**456**	212,946
Amounts due from associates – non-trade	**26**	–
Restricted bank deposits	**–**	832,566
Pledged bank deposits	**23,073**	276,490
Bank balances and cash	**537,488**	519,474
Consolidated assets	**5,847,436**	21,262,373

	2016	2015
	HK$'000	HK$'000
Segment liabilities		
Trading business	**327,745**	45,478
Others	**5,391**	3,697
Steel manufacturing	**–**	11,805,882
Mineral exploration and processing	**–**	511,277
Total segment liabilities	**333,136**	12,366,334
Amounts due to related companies – non-trade	**–**	263,378
Amount due to ultimate holding company of a shareholder – non-trade	**–**	2,137
Bank borrowings	**616,783**	6,805,554
Tax payable	**192,307**	144,669
Deferred tax liabilities	**–**	29,318
Loans from ultimate holding company of a shareholder	**–**	1,431,045
Consolidated liabilities	**1,142,226**	21,042,435

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

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 and other receivables, net	**–**	**(20)**	**(20)**
Increase in fair value of investment properties	**–**	**(321)**	**(321)**

2015 (Restated)

	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)*	–	46	46
Depreciation of property, plant and equipment	138	242	380
Reversal of impairment loss for trade and other receivables, net	(27)	–	(27)

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

Revenue from major products and services

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

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Continuing operations		
Iron ore	**921,970**	412,305
Other steel related products	**110,014**	–
Management services	**3,622**	3,816
	1,035,606	416,121

Geographical information

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

The Group's revenue from external customers by geographical location 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)*	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
PRC, excluding Hong Kong (country of domicile)	**1,031,984**	–	**–**	9,612,316
Hong Kong	**3,622**	3,816	**4,662,706**	5,328,216
Australia	**–**	412,305	**–**	–
	1,035,606	416,121	**4,662,706**	14,940,532

Note: Non-current assets excluded other financial assets, equity investments, pledged bank deposits 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	
	2016	2015
	HK$'000	HK$'000
Customer A[1]	**202,642**	N/A[2]
Customer B[1]	**111,489**	N/A[2]
Customer C[1]	**N/A[2]**	143,966
Customer D[1]	**N/A[2]**	94,199
Customer E[1]	**N/A[2]**	92,638

[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	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Interest income on bank deposits	**7,680**	12,138
Sundry income	**3**	236
	7,683	12,374

6. OTHER GAINS AND LOSSES

Continuing operations

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Loss on disposal of property, plant and equipment	**(4)**	–
Net foreign exchange (loss) gain	**(15,553)**	2,378
Gain from changes in fair value of investment properties	**321**	–
Reversal of impairment loss for trade and other receivables, net	**20**	27
	(15,216)	2,405

7. FINANCE COSTS

Continuing operations

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Interest on bank borrowings	**31,036**	39,815

8. INCOME TAX EXPENSE

Continuing operations

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Current tax:		
– Hong Kong	**–**	–
Under-provision in prior years:		
– Hong Kong *(Note)*	**49,064**	–
Income tax expense	**49,064**	–

No provision for Hong Kong profits tax for the current year had been made in the consolidated financial statements as the Group had no Hong Kong assessable profit for 2016 and 2015.

Note: The amount mainly represents the 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. 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 not certain about the probability of the success of the objection.

9. LOSS FOR THE YEAR

Continuing operations

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
		(Restated)
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**20,652**	21,897
– retirement benefits scheme contributions	**925**	980
	21,577	22,877
Depreciation of property, plant and equipment	**267**	380
Change in fair value of commodity forward contracts	**131,136**	219,863
Auditor's remuneration	**3,837**	3,164
Cost of inventories recognised as expenses	**967,704**	287,301
Gross rental income from investment properties, net of direct operation expenses nil (2015: nil)	**(23)**	(216)
Minimum lease payments under operating leases in respect of land and buildings	**4,565**	3,730
Service and management fees charged by Shougang Group	**960**	960

10. DIVIDENDS

The Board of Directors did not declare dividend for the years ended 31 December 2016 and 2015.

11. LOSS PER SHARE

From continuing and discontinued operations

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

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(1,621,162)**	(3,349,310)

	For the year ended 31 December	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,896,227**	8,957,896,227

For the years ended 31 December 2016 and 31 December 2015, the computation of diluted loss per share does not assume the exercise of share option, as it would result in a decrease in loss per share.

From continuing operations

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

	For the year ended 31 December	
	2016	2015
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	**(476,215)**	(1,445,501)

	For the year ended 31 December	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,896,227**	8,957,896,227

For the years ended 31 December 2016 and 31 December 2015, the computation of diluted loss per share does not assume the exercise of share option, as it would result in a decrease in loss per share.

12. INTERESTS IN ASSOCIATES

	2016	2015
	HK$'000	HK$'000
Cost of investment in associates		
Listed in Hong Kong	**6,834,092**	6,834,092
Unlisted	**–**	20,448
Share of post-acquisition results and other comprehensive expenses, net of dividends received	**(606,738)**	(184,702)
	6,227,354	6,669,838
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments *(Note)*	**(364,213)**	(364,213)
Impairment loss	**(1,208,681)**	(951,681)
	4,654,460	5,353,944

As set out in note 19, the Group has disposed an unlisted associate with investment cost of HK$20,448,000 due to the disposal of subsidiaries during the current year. The carrying amount of such associate was HK$31,996,000 upon the Disposal.

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"), which is determined by 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 2016 and 2015, such investments are continuously held by Shougang Resources and classified as financial assets at FVTOCI.

Such unrealised gain will be reversed 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 (2015: HK$1,305,488,000). The movement of goodwill is set out below:

Goodwill

	HK$'000
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	2,257,169
IMPAIRMENT	
At 1 January 2015, 31 December 2015 and 1 January 2016	951,681
Impairment loss recognised in the year	257,000
At 31 December 2016	1,208,681
CARRYING VALUES	
At 31 December 2016	1,048,488
At 31 December 2015	1,305,488

During the six months ended 30 June 2016, the estimated cash flows of the cash-generating unit ("CGU") was revised due to the slowdown of economy in the PRC. The coal price kept decreasing during this period, thus adversely affecting the gross margin of Shougang Resources. As the re-estimation of the recoverable amount of the CGU is less than the carrying amount (before impairment) of the interest in Shougang Resources as at 30 June 2016 and an additional impairment loss of HK$257,000,000 on interest in Shougang Resources is recognised for the six months ended 30 June 2016. No additional impairment loss other than this HK$257,000,000 has been recognised for the year ended 31 December 2016 as the coal price has been rebounded after 30 June 2016.

Impairment loss of HK$257,000,000 has been recognised for the year ended 31 December 2016 (for the year ended 31 December 2015: HK$951,681,000) in respect of the interest in Shougang Resources. The recoverable amount of the interest in Shougang Resources has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections of the associate based on the financial budgets attributable to the equity interest of the Group approved by management covering a 5-year period and using a discount rate of 12.87% (for the year ended 31 December 2015: 12.76%), and the cash flows beyond 5 years are extrapolated using a zero growth rate. Another key assumption for the value in use calculation relates to the estimation of 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.

13. EQUITY INVESTMENTS

Equity investments comprise:

	2016 HK$'000	2015 HK$'000
Listed investments:		
– Equity securities listed in Australia, at fair value	**783**	790
Unlisted investments:		
– PRC equity securities, at fair value	**–**	55,409
Total	**783**	56,199

As set out in note 19, the PRC equity securities have been disposed due to the disposal of subsidiaries during the current year.

14. TRADE AND BILLS RECEIVABLES

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The credit term of trade receivables are normally 90 days as at 31 December 2016 (2015: 60 days). The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016 HK$'000	2015 HK$'000
Within 60 days	**356,854**	1,473,375
61 – 90 days	**37,925**	148,094
91 – 180 days	**–**	149,918
181 – 365 days	**–**	233,919
	394,779	2,005,306

The following were the bills receivables as at 31 December 2015 that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. The Group has disposed all bills receivables that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis due to the disposal of subsidiaries during the current year. As the Group had not transferred the significant risks and rewards relating to these receivables, it recognised the full carrying amount of the receivables and trade payables and recognised the cash received from the banks as secured borrowings. These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2015

	Bills receivables discounted to banks with full recourse HK$'000	Bills receivables endorsed to suppliers with full recourse HK$'000	Total HK$'000
Carrying amount of bills receivables	195,400	402,172	597,572
Carrying amount of borrowings and trade payables	(195,400)	(402,172)	(597,572)

There were no discounted or endorsed bills receivables as at 31 December 2016.

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

The amounts due from (to) related companies represent amounts due from (to) the members of the Shougang Group. The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days. All of these balances under the Disposal Group have been disposed due to the disposal of subsidiaries during the current year as set out in note 19.

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:

	2016 HK$'000	2015 HK$'000
Within 60 days	**8,704**	45,325
61 – 90 days	**–**	75,728
91 – 180 days	**–**	3,072
181 – 365 days	**–**	176
1 – 2 years	**–**	1,904
	8,704	126,205

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

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

	2016	2015
	HK$'000	HK$'000
Within 90 days	–	506,913
91 – 180 days	–	61,075
181 – 365 days	–	41,537
1 – 2 years	–	34,796
Over 2 years	**8,212**	8,355
	8,212	652,676

The amounts due from (to) related companies are unsecured, interest-free and repayable on demand as at 31 December 2016 and 2015.

16. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNT DUE TO ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

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

The trade receivables from ultimate holding company of a shareholder were all aged between 181-365 days based on the invoice date as at 31 December 2015, which approximated the respective revenue recognition dates.

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

	2016	2015
	HK$'000	HK$'000
Within 90 days	–	750,302
91 – 180 days	–	516,119
181 – 365 days	–	1,424,568
1 – 2 years	–	4,383,245
	–	7,074,234

As set out in note 19, the entire trade receivables and trade payables to ultimate holding company of a shareholder have been disposed due to the disposal of subsidiaries during the current year.

17. 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:

	2016	2015
	HK$'000	HK$'000
Within 90 days	**276,093**	1,578,493
91 – 180 days	**–**	1,505,800
181 – 365 days	**–**	130,597
1 – 2 years	**–**	166,137
Over 2 years	**–**	83,130
	276,093	3,464,157

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.

18. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares issued and fully paid:		
At 1 January 2015, 31 December 2015 and 2016		
– Ordinary shares with no par value	8,957,896,227	5,345,183

19. 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 Disposal Group. On 3 October 2016, the Company and Shougang Holding Bonds Limited (the "Purchaser"), a wholly-owned subsidiary of a major 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 and the comparative figures in the consolidated statement of profit or loss and other comprehensive income are re-presented. 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 reserve	4,848,033

Net cash outflow arising on disposal:

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/year, were as follows:

	1 January 2016 to 30 December 2016 (date of disposal) HK$'000	1 January 2015 to 31 December 2015 HK$'000
Revenue	**6,262,980**	6,856,574
Cost of sales	**(6,590,510)**	(8,054,336)
Gross loss	**(327,530)**	(1,197,762)
Other income	**35,646**	51,227
Other gains and losses	**(22,788)**	(76,584)
Distribution and selling expenses	**(102,963)**	(122,811)
Administrative expenses	**(586,414)**	(495,021)
Finance costs	**(478,100)**	(607,638)
Share of results of an associate	**645**	438
Loss before taxation	**(1,481,504)**	(2,448,151)
Income tax credit	**3,499**	4,308
Loss for the period/year	**(1,478,005)**	(2,443,843)
Loss for the period/year attributable to:		
Owners of the Company	**(1,144,947)**	(1,903,809)
Non-controlling interests	**(333,058)**	(540,034)
	(1,478,005)	(2,443,843)

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 2016 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 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 26 May 2017 (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, 19 May 2017 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

The Qinhuangdao business has been incurring substantial loss since 2009 principally as a result of the excessive production capacity of steel and slow down in the economy in China. The management of the Company is of the view that it is unlikely that the performance of the Qinhuangdao business can be substantially improved in the near future given that the excessive steel production capacity cannot be resolved in the short term. On 3 October 2016, the Company and Shougang Holding Bonds Limited (a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited, which in turn is a major controlling shareholder of the Company and a wholly-owned subsidiary of Shougang Corporation), entered into an agreement in relation to the disposal of the entire interests in the Group's Qinhuangdao business to it. The Qinhuangdao business comprise two steel mills, a deep processing centre on steel products and exploration and processing of iron ore operation in Qinhuangdao City, Hebei province, China. The disposal was formally completed on 30 December 2016.

After the disposal, the Group's principal business has been focused to trading business. 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 business of the Group also 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.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2016	2015
	HK$ Million	HK$ Million
Results from continuing operations		
Loss attributable to shareholders before share of results of associates	**(485)**	(1,171)
Share of results of associates	**9**	(274)
	(476)	(1,445)
Results from discontinued operations	**(1,145)**	(1,904)
Loss attributable to shareholders	**(1,621)**	(3,349)

Key Performance Indicators

	For the year ended 31 December/ As at 31 December	
	2016	2015
	HK$ Million	HK$ Million
Turnover	**1,036**	416
Gross profit margin	**4.8%**	15.1%
Loss attributable to shareholders		
Continuing operations	**(476)**	(1,445)
Discontinued operations	**(1,145)**	(1,904)
	(1,621)	(3,349)
Loss per share (HK cents)		
Continuing operations	**(5.32)**	(16.14)
Discontinued operations	**(12.78)**	(21.25)
	(18.10)	(37.39)
Gross assets	**5,847**	21,263
Net assets attributable to shareholders	**4,705**	1,336
Cash and bank balances	**561**	1,629
Bank loans*	**617**	6,610
Bank loans to gross assets ratio	**10.6%**	31.1%

* *Exclude loans from discontinued bills*

The Group's loss attributable to shareholders for the year ended 31 December 2016 was HK$1,621 million, the loss was decreased by 51.6% as compared to the same period last year. The Group's continuing operating business recorded an consolidated turnover of HK$1,036 million, representing an increase of 148.9% over the same period last year. The loss per share for continuing operations and discontinued operations were 5.32 HK cents (2015: 16.14 HK cents) and 12.78 HK cents (2015: 21.25 HK cents) respectively.

FINANCIAL REVIEW

Year ended 31 December 2016 compared to the year ended 31 December 2015

Turnover and Cost of Sales

The Group recorded consolidated turnover from continuing operations of HK$1,036 million for this year, representing an increase of 148.9% when comparing to HK$416 million last year. The improved 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 year was HK$986 million, up 179.1% when comparing to HK$353 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$49 million, accounting to 4.8% of the turnover, while gross profit margin was 15.1% in last year. The decrease in gross profit margin was mainly because more inventories of medium grade iron ore had been provided by Mount Gibson Iron Limited ("Mt. Gibson") in last year 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. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. During the year, the Group devoted much effort in procurement from other suppliers so as to drive the trading volume. As there were more rebates on marketing commission and the trading of special graded iron ore in last year, the gross profit margin in this year was lower than that of last year.

E/(L)BITDA

For the year under review, earnings before interest, tax, depreciation, amortization, impairment loss and change in fair value of financial derivative of the Group for the continuing operations was HK$26 million (2015: loss HK$87 million).

Finance costs

For the year under review, finance costs for the continuing operations amounted to HK$31 million, 22.0% lower than that of last year. The decrease in finance costs was due to the decrease in the overall loan amounts of the Group.

Share of results of associates

In this year, we have shared profit of HK$5 million and HK$4 million from Shougang Resources and Shougang Century, respectively, whereas for the last year, the share of loss from Shougang Resources and Shougang Century were HK$139 million and HK$135 million respectively.

Taxation

In this year, the tax expense was HK$49 million, whereas there was nil tax expenses in last year. The tax expense this year was due to the provision of under-provided profits tax in prior 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 **2016** HK$ Million	2015 HK$ Million
Continuing operations			
1. Trading business	100%	**35**	48
Sub-total		**35**	48
2. Share of results of associates			
Shougang Resources	27.61%	**5**	(139)
Shougang Century	35.71%	**4**	(135)
Sub-total		**9**	(274)
3. Others			
Fair value loss on iron ore offtake agreements with Mt. Gibson	–	**(131)**	(220)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	**(257)**	(952)
Exchange gain/(loss)	–	**(16)**	4
Corporate and others	–	**(116)**	(51)
Sub-total		**(520)**	(1,219)
Total for continuing operations		**(476)**	(1,445)
Discontinued operations			
1. Steel manufacturing			
Shouqin[1]	76%	**(802)**	(1,525)
Qinhuangdao Plate Mill[2]	100%	**(149)**	(210)
Sub-total		**(951)**	(1,735)
2. Mineral exploration and processing			
Shouqin Longhui	67.84%	**(194)**	(169)
Sub-total		**(194)**	(169)
Total for discontinued operations		**(1,145)**	(1,904)
Total		**(1,621)**	(3,349)

1 Included the Group and Shouqin's share of results in its subsidiary, Qinhuangdao Shouqin Steels Machining and Delivery Co. Ltd.

2 Included Qinhuangdao Plate Mill's share of results in its subsidiaries other than Shouqin Longhui. The results of Shouqin Longhui is included in the mineral exploration and processing segment.

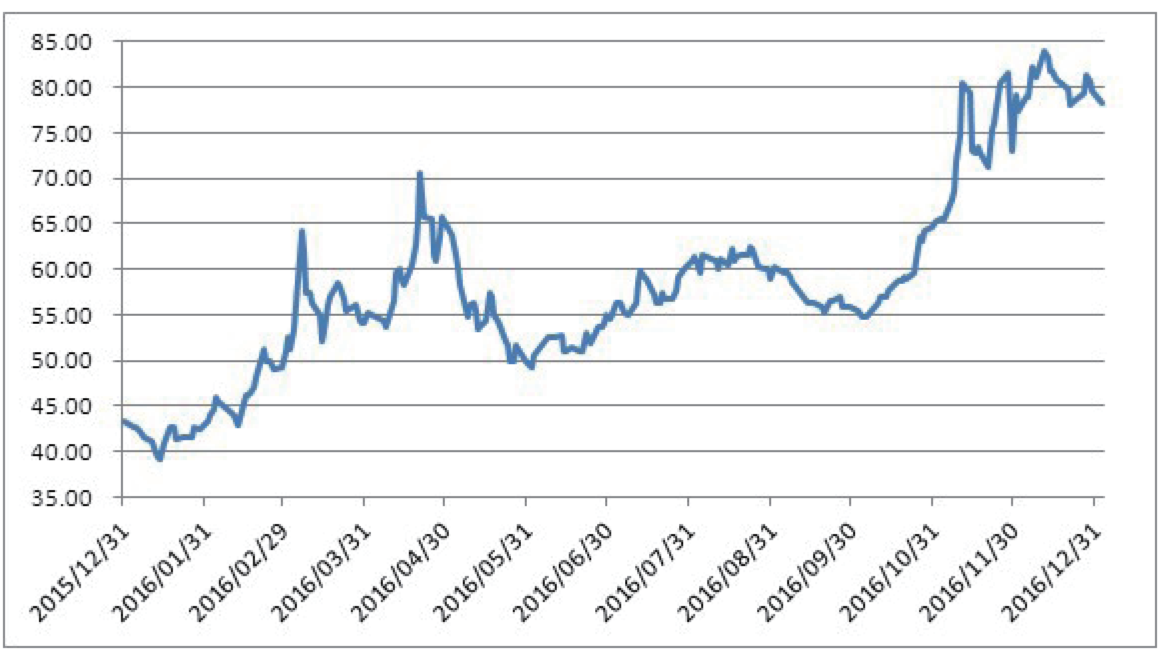
Continuing operations

Trading business

Trading business involves trading of iron ore, steel and related products, principally focusing on 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 to approximately 50% of the world's production, enabling the PRC to become 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. The volume of iron ore imported by the PRC hit its first ever record of 1 billion tonnes throughout 2016, and a year-on-year upward trend has been sustained.

Below is the summary of the iron ore price movement for the year ended 31 December 2016.

Platts IODEX iron ore fines 62% Fe price (USD/dmt)



Trading business recorded turnover before elimination of inter-company transactions of HK$1,128 million for the year ended 31 December 2016, representing an increase of 126.8% when comparing to that 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. Since then, the Group started to generate more sources of procurement from other suppliers so as to increase the trading volume in this year. During the year, sales volume of approximately 2,400,000 tonnes of iron ore was achieved, representing a considerable rise of 93.5% when comparing to 1,240,000 tonnes in last year, and the selling price also ascended 35% to US$54 per ton (equivalent to HK$421). While turnover rose, gross profit margin dropped. The decrease in gross profit margin was due to more sale of the inventories of medium grade iron ore in 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. This segment contributed net profit of HK$35 million for the year, while net profit of HK$48 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 prevailing 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. Without production restrictions, the Group is entitled to extend the term of the agreement to a maximum of 12 months. The agreement is still conditional upon approval from the regulatory bodies in Australia and completion of the project by 30 June 2017. Besides, as approval from shareholders of Mt. Gibson is also required, it is expected that Mt. Gibson will convene a general meeting in April 2017 for the approval of the agreement.

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, the PRC namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine. Its consolidated turnover for the year was HK$1,810 million, a drop of 9.4% over that of last year. After two years of impairment loss, as the coal price lingered at low level in the middle of the year, Shougang Resources still needed to make further impairment loss on its coal mines related assets of HK$195 million in the year. Yet the impairment loss reduced considerably over the last two years as the coking coal price showed significant rebound in the second half of the year. Profit attributable to shareholders of Shougang Resources in this year was HK$112 million while there was loss of HK$416 million in last year. Profit of Shougang Resources attributable to the Group was HK$5 million in this year.

With excellent product and brand quality of Shougang Resources, we are still confident towards its future operations.

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 and Zhejiang province, the PRC. The Group's share of its net profit was HK$4 million, comparing to share of loss of HK$135 million in last year. It recorded a profit in this year because of the substantial improvement in the profit margin of its products. In addition, there were impairment losses of HK$93 million and HK$42 million made by Shougang Century on its property, plant and equipment and goodwill respectively in last year. The attributable amount of these impairment losses shared by the Group in last year was approximately HK$48 million.

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.

[#] *For identification only*

Discontinued operations – Qinhuangdao business

Disposal of the Qinhuangdao business was completed on 30 December 2016. Therefore, the steel manufacturing and mineral exploration and processing business in Qinhuangdao was classified as discontinued operations, and the results of which was only been accounted for up to 30 December 2016.

Steel Manufacturing

The Group operated in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd ("Qinhuangdao Plate Mill"). The steel industry still faced a dire operating environment. This core segment recorded net loss of HK$951 million during the period ended 30 December 2016, while that of last year was net loss of HK$1,735 million.

Shouqin

The Group held an effective interest of 76% in Shouqin before disposal of the Qinhuangdao business.

Shouqin was a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production. It had formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates were among the most advanced in the PRC. Its annual production capacities of heavy plate had reached 1.8 million tonnes. For the period ended 30 December 2016, Shouqin reported a turnover of HK$6,116 million before inter-group elimination, recording a 3.4% drop on the comparative period. It sold approximately 1,650,000 tonnes of heavy plates during the period, an increase of 1.9% comparing to that of last year. The drop in turnover was mainly due to decrease in ASP of heavy plates and decrease in the exchange rate of RMB. The ASP (exclude VAT) of heavy plate was RMB2,474 (HK$2,885) per tonne, 1.9% lower than that of the last year. Production of slab was mainly used for Shouqin's internal consumption while some sales were made towards Qinhuangdao Plate Mill and Processing Centre and were eliminated on consolidation. The ASP (exclude VAT) of slab was RMB1,867 (HK$2,177) per tonne, 6.1% higher than that of last year. It sold approximately 596,000 tonnes of slabs during the period, an increase of 3.8% comparing to that of last year.

Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. ("Processing Centre") is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. For the period ended 30 December 2016, this entity recorded HK$539 million in turnover before inter-group elimination, which was 10.5% increase compared with that of last year.

For the period ended 30 December 2016, the aggregate net loss of Shouqin and Processing Centre attributable to the Group was HK$802 million. The loss was decreased by HK$723 million comparing to the net loss of HK$1,525 million in last year due to increase in ASP of slab and the improvement of gross loss margin.

Qinhuangdao Plate Mill

The Group held the 100% interest in Qinhuangdao Plate Mill before disposal of the Qinhuangdao business.

Qinhuangdao Plate Mill recorded a turnover of HK$809 million before inter-group elimination for the period ended 30 December 2016, a drop of 46.8% comparing with that of last year. The drop was mainly due to the lower sales volume in the weak market. During the period, the sales volume of heavy plate was approximately 247,000 tonnes only, a drop of 42.7% compare to that of last year. ASP (exclude VAT) was RMB2,123 (HK$2,476) per tonne, 8.3% lower than that of last year. The Group's share of net loss of Qinhuangdao Plate Mill during the period ended 30 December 2016 was HK$149 million while the net loss in last year was HK$210 million.

Mineral exploration - production and processing of iron ore products

The Group held an effective 67.84% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Shouqin Longhui") before disposal of the Qinhuangdao business. Shouqin Longhui was situated at Qinglong County, Qinhuangdao City, Hebei province, the PRC.

Shouqin Longhui held two magnetite iron ore mines in addition to concentrating and pelletizing facilities. Due to the difficult operating environment of iron ore industry, Shouqin Longhui did not record any sales during the period under review. Loss of Shouqin Longhui attributable to the Group during the period ended 30 December 2016 was HK$194 million, the loss was increased by HK$25 million comparing to an attributable loss of HK$169 million in last year.

Compliance with Laws and Regulations

Since the Company is a Hong Kong company listed on the Hong Kong Stock Exchange, the Group will ensure its compliance with the Companies Ordinance, Listing Rules and Securities and Futures Ordinance of Hong Kong. Upon disposal of the Qinhuangdao business, the Group focuses on the trading of iron ore imported by the PRC, thus, all the relevant laws and regulations in relation to this business will be observed. The operating arm under the Group in Hong Kong is mainly responsible for administrative duties such as recruitment, therefore, it will comply with the Employment Ordinance of Hong Kong.

The discontinued operations of the Group located in Qinhuangdao, the PRC, which involved steel manufacturing and selling, and mineral exploration and processing, etc. All relevant laws and regulations of the PRC had been observed for the Group's operations in the Mainland China.

Environmental Policies and Performance

The Group's environmental policy and performance are disclosed in the environmental, social and governance report of the annual report.

Customers and Suppliers

Through years of business cooperation, the Group has established good relationship with customers and suppliers. The ultimate holding company of the major controlling shareholder of the Company is Shougang Corporation, which together with its subsidiaries, is also the largest supplier and the second largest customer of the Group. During the year, the sales and purchases made by the Group to and from Shougang Corporation and its subsidiaries accounted for 4.8% and 29.9% of the total sales (including the discontinued operations) and total purchases (including the discontinued operations) of the Group, respectively. 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.

Principal Risks and Uncertainties

Upon disposal of the Qinhuangdao business, 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 has not yet determined a definite restoration schedule. In case of restoration of Koolan Island mine, the extra rebate on marketing commission will bring higher profit to the trading business of the Group.

In addition to the trading business, 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 the Mainland by holding interests in the 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.

After the US rose the interest rate by a quarter point by the end of 2015 and 2016, the pace of interest rate hike may be accelerated, which in turn will add extra interest expenses to the Group, and 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.

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 2016 as compared to 31 December 2015 is summarized below:

	As at 31 December 2016	As at 31 December 2015		
	Total	Other than Qinhuangdao business	Qinhuangdao business	Total
	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Cash and bank balances	**561**	620	1,009	1,629
Loans				
– from banks*	**617**	905	5,705	6,610
– from parent company	**–**	–	1,431	1,431
Total loans	**617**	905	7,136	8,041
Total assets	**5,847**	6,406	14,857	21,263
Total loans to total assets	**10.6%**	14.1%	48.0%	37.8%

* *excluding financing from discounted bills.*

As at 31 December 2016, all bank borrowings of the Group are denominated in US dollar and repayable within one year. Based on the past financing experience, the Group has the ability to renew or refinance the banking facilities upon maturity.

As at 31 December 2016, the Group pledged 863,000,000 shares of Shougang Resources, a listed associate of the Group, to secure its bank borrowings.

2. Currency and Interest Rate Risk

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

The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2016, approximately 99.7% of the Group's turnover for the continuing operations was denominated in US Dollars. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks if necessary. No amount of such derivatives was outstanding as at the end of the period.

3. Financing activities

The Company has no new bank financing during this year.

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

MATERIAL ACQUISITIONS & DISPOSALS

On 3 October 2016, the Company entered into a conditional agreement with Shougang Holding Bonds Limited, a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited, which in turn is a major controlling shareholder of the Company and a wholly-owned subsidiary of Shougang Corporation, for the disposal of Ultimate Century Investments Limited ("Ultimate Century") at a consideration of HK$1. Ultimate Century is the ultimate controlling company holding the business of the Group in Qinhuangdao City, Hebei Province, the PRC. The Qinhuangdao business involved steel manufacturing and selling and mineral exploration and processing business. The purchaser will bear all obligations and liabilities of the Qinhuangdao business. The disposal was completed on 30 December 2016.

There was no acquisition by the Group during this year.

CAPITAL STRUCTURE

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

The issued share capital of the Company was HK$5,345,183,055 (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

After the disposal of the Qinhuangdao business, the Group has a total of 40 employees as at 31 December 2016.

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

Upon disposal of the Qinhangdao business to Shougang Corporation by the end of 2016, the steel operations of the Group, which had been running for over two decades, has come to an end. The Group has changed its focus to the trading of iron ore, while at the same time still holding two Hong Kong-listed associates, Shougang Resources and Shougang Century. These associates are engaged in mining and sale of hard coking coal, and the manufacture and sale of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products, respectively, in the Mainland.

The financial status of the Group has been back on track after the reorganization, albeit years of severe loss. The current focus in the business of iron ore trading mainly targets on the iron ore imported by the PRC as there is strong demand on imported iron ore by the Mainland. The Group has maintained amiable relationship with suppliers and customers. In addition to our long-term partner Mt. Gibson from Australia, the Group has devoted much effort in joining force with other suppliers including Shougang Corporation. By inputting more resources in the development of the iron ore trading business, a further surge of the trading volume in the coming year is expected, thereby generating stable revenue to the Group. Following the changes in iron ore trading market, the Group will accommodate the actual situation by adjusting the strategies and modes of operation of its trading business. To cope with the potential risks that may be encountered by its trading business arising from the changes in the market, the Group will take proper measures, including the use of appropriate hedging instruments if necessary, to mitigate the risks that its trading business may face. Meanwhile, the results of the two listed associates have achieved significant improvement in the second half of 2016, the continuous advancement of which will bring certain extent of profit contribution to the Group in the future. Apart from paving solid foundation, the management will keep on exploring opportunities for new business development, in order to enable long-term and sustainable growth of the Group.

Various events happened in 2016 have stroke heavy blows to the global economy, namely the Brexit after referendum, the unexpected result of the American Presidential Election, leading to volatile financial market around the world. Following the one-quarter point increase in interest rate by the US at the end of 2016, the US Federal Reserve Board has explicitly expressed the possibility to raise the interest rate for three times in 2017. Looking forward to 2017, a sophisticated and ever-changing situation still lies ahead of the global financial market and the operating environment may suffer from further shocks. In spite of the uncertainties, with strong support from Shougang Corporation, our major controlling shareholder, we are still confidence to the future development of the Company.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2016, except for the following deviations:

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

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

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

Mr. Zhang Gongyan, 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 29 June 2016 (the "2016 AGM") as he had another business engagement. The Managing Director of the Company took the chair of the 2016 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 2016 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2016 AGM were already of sufficient calibre and number for answering questions at the 2016 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 2016 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
Li Shaofeng
Managing Director

Hong Kong, 23 March 2017

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