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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

– Revenue of the Group was HK$818 million.

– Profit attributable to shareholders was HK$218 million.

– Earnings per share was 1.18 HK cents.

INTERIM RESULTS

The board of directors (the "**Board**") of Shougang Concord International Enterprises Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Six Months Ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**818,375**	1,305,909
Cost of sales		**(766,841)**	(1,294,570)
Gross profit		**51,534**	11,339
Other income		**15,937**	4,084
Other gains, net		**25,499**	2,830
Reversal of provision of impairment loss of financial assets	*9*	**23,314**	–
Change in fair value of commodity forward contracts		**20,091**	(25,564)
Administrative expenses		**(65,521)**	(19,661)
Finance costs		**(2,805)**	(10,079)
Share of results of associates		**155,423**	178,776
Share of results of a joint venture		**(4,605)**	–
Profit before income tax		**218,867**	141,725
Income tax expense	*4*	**(3,234)**	–
Profit for the period	*5*	**215,633**	141,725
Attributable to:			
Owners of the Company		**218,385**	141,725
Non-controlling interests		**(2,752)**	–
		215,633	141,725

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Note	Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Profit for the period		**215,633**	141,725
Items that will not be reclassified to profit or loss:			
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income		**–**	57
Share of exchange differences of an associate arising on translation to foreign operations		**(4,139)**	16,835
Share of fair value (losses)/gains on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**(11,594)**	509
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**(11,299)**	95,304
Currency translation difference		**(8,547)**	–
Other comprehensive (loss)/income for the period		**(35,579)**	112,705
Total comprehensive income for the period		**180,054**	254,430
Total comprehensive income attributable to:			
Owners of the Company		**182,806**	254,430
Non-controlling interests		**(2,752)**	–
		180,054	254,430
Earnings per share attributable to owners of the Company			
(expressed in HK cents per share)			(Restated)
Basic and diluted	*7*	**1.18**	1.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2018** **HK$'000** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Assets			
Non-current assets			
Investment properties		**149,192**	6,900
Property, plant and equipment		**5,246**	4,850
Interests in associates	*8*	**5,201,569**	5,073,079
Interest in a joint venture		**75,822**	81,299
Deferred tax assets		**33,558**	35,212
Assets relating to commodity contracts		**152,482**	151,244
Financial assets at fair value through profit or loss		**145,786**	121,596
Other non-current assets		**205,219**	208,495
		5,968,874	5,682,675
Current assets			
Contract assets		**14,325**	–
Trade and bills receivables	*9*	**157,065**	823,704
Prepayments, deposits and other receivables		**52,198**	74,602
Amounts due from related companies	*10*	**457**	398
Amounts due from associates	*10*	**–**	8
Amounts due from a joint venture	*10*	**25,609**	–
Financial assets at fair value through profit or loss		**62,618**	114,676
Restricted bank deposits		**–**	618
Time deposits with original maturity over three months		**–**	100,000
Bank balances and cash		**1,569,997**	1,389,628
		1,882,269	2,503,634
Total assets		**7,851,143**	8,186,309

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	**30 June 2018** ***HK$'000*** **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Equity			
Capital and reserve attributable to owner of the Company			
Share capital	*12*	**7,576,946**	7,349,545
Reserves		**(215,733)**	(324,756)
		7,361,213	7,024,789
Non-controlling interests		**62,493**	218,863
Total equity		**7,423,706**	7,243,652
Liabilities			
Current liabilities			
Trade and bills payables	*11*	**130,140**	569,191
Amounts due to related companies	*10*	**85**	–
Amounts due to associates	*10*	**5**	–
Contract liabilities		**11,533**	–
Other payables and accrued liabilities		**37,334**	95,895
Other borrowing		**71,130**	–
Liabilities relating to commodity contracts		**–**	91,989
Tax payable		**149,705**	160,408
		399,932	917,483
Non-current liabilities			
Deferred tax liabilities		**27,505**	25,174
Total liabilities		**427,437**	942,657
Total equity and liabilities		**7,851,143**	8,186,309

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the year ended 31 December 2017 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2.1. New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.3 below respectively. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. ACCOUNTING POLICIES (CONTINUED)

2.2. Impact of standards issued but not yet applied by the Group

HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$7,579,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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

(i) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

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

Impairment of financial assets

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

- trade receivables for trading of steel products and iron ore, provision of management services on car park and fund management of private funds

- contract assets relating to trading of steel products and iron ore, provision of management services on car park and fund management of private funds

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

(i) Adoption of HKFRS 9 (Continued)

Trade receivables and contract assets

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

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

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

(ii) Adoption of HKFRS 15

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

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

(a) Presentation of contract assets and liabilities

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

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

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

2. ACCOUNTING POLICIES (CONTINUED)

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

(ii) Adoption of HKFRS 15 (Continued)

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

	As at 1 January 2018		
	As previously stated	**Reclassification under HKFRS 15**	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Consolidated statement of financial position (extract)			
Contract assets	–	37,750	37,750
Prepayments, deposits and other receivables	37,750	(37,750)	–
Contract liabilities	–	38,507	38,507
Other payables and accrued liabilities	38,507	(38,507)	–

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 31 December 2017 and the condensed consolidated results, earnings per share (basic and diluted) and condensed consolidated statement of cash flows for the period ended 30 June 2017.

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the Executive Directors of the Company, being the chief operating decision makers for the purposes of resource allocation and performance assessment are as follows:

Trading business – trading of steel products and iron ore
Car park operation – provision of management services on car park
Fund management – provision of fund management of private funds

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

3. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by operating segments:

Six months ended 30 June 2018 (unaudited)

	Trading business *HK$'000*	Fund management *HK$'000*	Car park operation *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External revenue	**736,530**	**49,933**	**30,674**	**1,238**	**818,375**
Timing of revenue recognition					
A point of time	**736,530**	**–**	**–**	**–**	**736,530**
Overtime	**–**	**49,933**	**30,674**	**1,238**	**81,845**
					818,375
Segment profit/(loss)	**39,732**	**19,716**	**(9,461)**	**4,207**	**54,194**
Other income					**9,652**
Central administration costs					**(13,083)**
Change in fair value of commodity forward contracts					**20,091**
Finance costs					**(2,805)**
Share of results of associates					**155,423**
Share of results of a joint venture					**(4,605)**
Profit before income tax					**218,867**

Six months ended 30 June 2017 (unaudited)

	Trading business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue			
External sales	1,304,001	1,908	1,305,909
Segment profit/(loss)	15,338	(6,534)	8,804
Other income			4,084
Central administration costs			(15,504)
Change in fair value of commodity forward contracts			(24,356)
Finance costs			(10,079)
Share of results of associates			178,776
Profit before income tax			141,725

4. INCOME TAX EXPENSE

Hong Kong profits tax and China enterprise income tax are calculated respectively at 16.5% and 25% of the estimated assessable profit for the six months ended 30 June 2018 and 2017.

Provision for China enterprise income tax amounted to HK$3,234,000 is made for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$nil).

No provision for Hong Kong profits tax is made for the six months ended 30 June 2018 and 2017.

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	**40,112**	9,870
– retirement benefits scheme contributions	**432**	396
	40,544	10,266
Rental expenses	**4,358**	2,355
Legal and professional fees	**3,312**	400
Travelling expenses	**3,136**	278
Bank charges	**1,964**	921
Entertainment expenses	**1,520**	175
Depreciation of property, plant and equipment	**259**	122
Amortisation of intangible assets	**104**	–

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2018 and 2017. Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2018 and 2017.

7. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(HK$'000)*	**218,385**	141,725
Weighted average number of ordinary shares for basic earnings per share (thousands) *(Note a)*	**18,488,970**	(Restated) 9,036,820
Basic earnings per share (expressed in Hong Kong cents per share)	**1.18**	(Restated) 1.57

Note a:

Adjustment has been made to earnings per share amounts presented for the period ended 30 June 2017 as adjusted to reflect the open offer on 16 November 2017.

(b) Diluted

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

The Company has no share option outstanding as at 30 June 2018 (six months ended 30 June 2017: the share options did not have a dilutive effect on earnings per share).

8. INTERESTS IN ASSOCIATES

	As at 30 June 2018	As at 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of investment in associates	**6,834,092**	6,834,092
Share of post-acquisition results and other comprehensive expense, impairment loss, net of dividends received	**(1,632,523)**	(1,761,013)
	5,201,569	5,073,079

8. INTERESTS IN ASSOCIATES (CONTINUED)

During the year ended 31 December 2012, Shougang Resources early adopted HKFRS 9. As at 30 June 2018 and 31 December 2017, such investments are continuously held by Shougang Resources and classified as financial assets at fair value through other comprehensive income ("**FVOCI**").

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 cost of investment in Shougang Resources, an associate of the Group, is goodwill of HK$1,048,488,000 as at 30 June 2018 and 31 December 2017 arising from the acquisition of Shougang Resources. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 January 2017 (Audited), 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	2,257,169
IMPAIRMENT	
At 1 January 2017 (Audited), 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	(1,208,681)
CARRYING VALUES	
At 31 December 2017 (Audited) and 30 June 2018 (Unaudited)	1,048,488

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Trade receivables	**53,146**	324,297
Bills receivables	**108,080**	526,882
	161,226	851,179
Less: Provision for impairment on receivables	**(4,161)**	(27,475)
Trade receivables – net	**157,065**	823,704

9. TRADE AND BILLS RECEIVABLES (CONTINUED)

The credit terms of trade receivables are normally 90 to 180 days. The following is an ageing 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:

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Within 60 days	**133,462**	777,169
61 – 90 days	**3,046**	34,181
91 – 180 days	**20,557**	8,712
181 – 365 days	**–**	3,642
	157,065	823,704

10. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/ASSOCIATES/A JOINT VENTURE

The amounts due from/(to) related companies represent amounts due from the subsidiaries of 首鋼集團有限公司 (Shougang Group Co., Ltd.*) the ultimate holding company of the major shareholder of the Company (collectively referred to as the "**Shougang Group**"), the Company's associates and a joint venture. The amounts due from/(to) related companies and associates are unsecured, repayable on demand and interest free (31 December 2017: same). The amount due from a joint venture is unsecured, repayable on demand at interest rate of 6.5% per annum.

11. TRADE AND BILLS PAYABLES

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

	As at 30 June 2018 *HK$'000* **(Unaudited)**	As at 31 December 2017 *HK$'000* (Audited)
Within 90 days	**130,140**	567,082
91 – 180 days	**–**	2,109
	130,140	569,191

12. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares issued and fully paid:		
At 1 January 2017	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 (Audited)	17,915,792,454	7,349,545
Issue of new shares on 26 March 2018	1,047,931,056	227,401
At 30 June 2018 (Unaudited)	18,963,723,510	7,576,946

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

At the end of last year, the Group 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 interim results right after the acquisition of new business and the profit for the period was HK$218 million, representing an increase of 53.5% compared to the same period last year. The significant improvement in performance was mainly due to the gain attributable to private fund management business and the change of fair value of trading commodity contracts.

PERFORMANCE REVIEW

	For the six months ended 30 June	
	2018	2017
	HK$ Million	*HK$ Million*
Profit/(loss) attributable to shareholders before share of results of associates	**63**	(37)
Share of results of associates	**155**	179
Profit attributable to shareholders	**218**	142

KEY PERFORMANCE INDICATORS

	For the six months ended 30 June	
	2018	2017
	HK$ Million	*HK$ Million*
Revenue	**818**	1,306
Gross profit margin	**6.3%**	0.9%
Profit attributable to shareholders	**218**	142
		(Restated)
Earnings per share *(HK cent)*	**1.18**	1.57
	As at 30 June 2018	As at 31 December 2017
	HK$ Million	*HK$ Million*
Gross assets	**7,851**	8,186
Net assets	**7,424**	7,244
Cash and bank balances	**1,570**	1,490

The Group's profit attributable to shareholders for the six months ended 30 June 2018 was HK$218 million as compared to the profit of HK$142 million for the same period last year. The Group recorded a consolidated revenue of HK$818 million, representing a decrease of 37.4% over the same period last year. While the gross profit margin increased significantly from 0.9% for the same period last year to 6.3% for the period. The earnings per share for the period was 1.18 HK cents while the earnings per share for the same period last year was 1.57 HK cents (restated).

FINANCIAL REVIEW

Six months ended 30 June 2018 compared to the six months ended 30 June 2017.

Revenue and Cost of Sales

The Group recorded consolidated revenue of HK$818 million for this period, represented a decrease of 37.4% when comparing to HK$1,306 million for the same period last year. The decrease in revenue was mainly due to that after the injection of new businesses and based on the status quo of the ore trading business, the Group decided to strictly control the risk of ore trading and gradually reduce the revenue from ore trading as well as the volume of ore transactions.

Gross profit for the period was HK$51.53 million. The gross profit margin was 6.3% in this period while it was 0.9% in the same period last year. The increase in gross profit margin was mainly attributable to the private fund management business and car park business which were added in the main business for the period. The gross profit margin of both businesses was higher than that of iron ore trading business, especially the private fund management business, the gross profit margin for the period of which was up to 88%.

Finance costs

For the period under review, finance costs amounted to HK$3 million, 72.2% lower than that of the same period last year. The decrease in finance costs was mainly due to the overall loan amounts of the Group decreased significantly compared with the same period last year.

Share of results of associates

In this period, we have shared a profit of HK$163 million from Shougang Resources and shared a loss of HK$8 million from Shougang Century, whereas for the same period last year, the share of profit from Shougang Resources and Shougang Century were HK$170 million and HK$9 million respectively.

REVIEW OF OPERATIONS

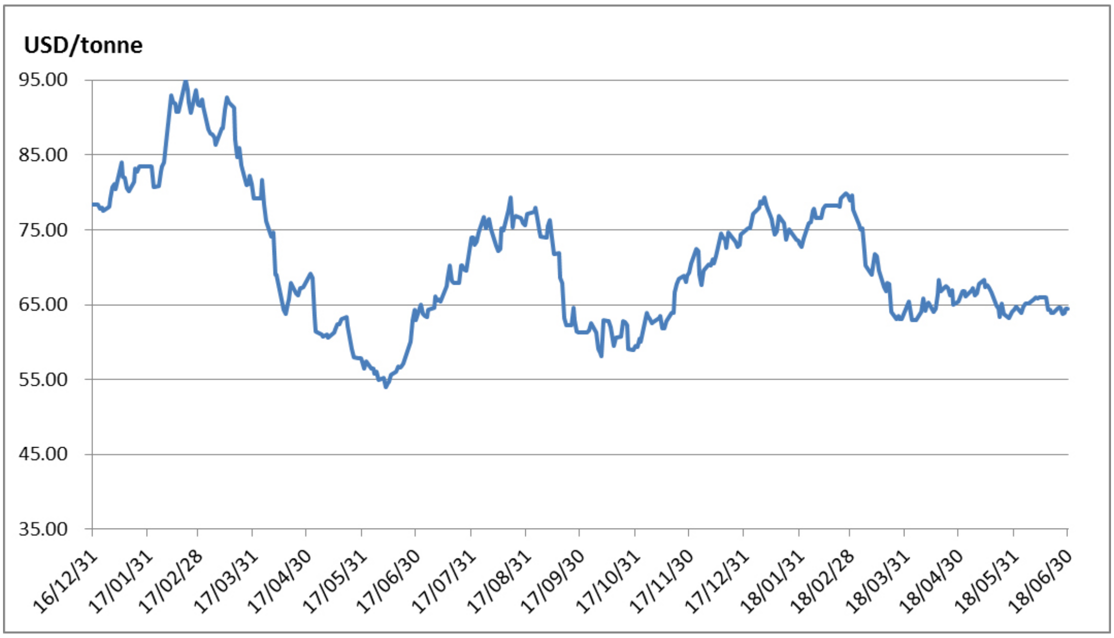
Summary of net profit/(loss) contribution to the group by operation/entity:

Operation/Entity		Attributable interest	For the six months ended 30 June 2018 *HK$ Million*	2017 *HK$ Million*
1.	Trading business	100%	**40**	15
2.	Car Park Operation business	89.89%	**(9)**	–
3.	Private Fund Management business	100%	**20**	–
	Sub-total		**51**	15
4.	Share of results of associates			
	Shougang Resources	27.61%	**163**	170
	Shougang Century	35.71%	**(8)**	9
	Sub-total		**155**	179
5.	Others			
	Fair value gain/(loss) on iron ore offtake agreements with Mt. Gibson	–	**20**	(24)
	Share of results of a joint venture	–	**(5)**	–
	Exchange gain/(loss)	–	**7**	(5)
	Corporate and others	–	**(10)**	(23)
	Sub-total		**12**	(52)
Profit attributable to shareholders			**218**	142

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 18 months ended 30 June 2018.



As the iron ore trading business is encountering more and more difficulties, the Group has adjusted its business model according to actual conditions, and started to use hedging tools such as iron ore future/swap to reduce the risks exposed to its trading business.

The Group expects that the prospects of the trading business will remain challenging. As a result, it decides to strictly control the risks of iron ore trading and gradually reduce the revenue from iron ore trading as well as the volume of iron ore transaction.

For the six months ended 30 June 2018, sales volume of iron ore in trading business was approximately 1,380,000 tonnes, representing a decrease of 45% when comparing to the same period last year, and the revenue of which was HK$737 million, representing a decrease of 44% when comparing to the same period last year. This segment contributed net profit of HK$39.73 million for the period, while net profit of HK$15.34 million was recorded in the same period last year. The increase in net profit was mainly due to the reversal of HK$23.49 million resulting from the termination of loss-making iron ore trading contracts and the reversal of HK$23.31 million as a result of the adjustment on trade receivables according to IFRS 9.

Private Fund Management in the PRC

The group expanded its business to private fund management through the acquisition of Jingji at the end of last year. For the six months ended 30 June 2018, the private fund management business recorded revenue of HK$49.93 million and net profit of HK$19.72 million. As of 30 June 2018, there are 17 funds managed by Jingji with a total subscription scale of RMB14 billion. Currently, the investors of the managed funds include major financial institutions such as Agricultural Bank of China, China Merchants Bank and China Life Insurance, as well as various provincial and municipal government fund investment agencies in Beijing, Hebei Province, Jilin Province, Sichuan Province and Heilongjiang Province, etc. The key investment focus of the funds shall be on car parks based infrastructure and the renovation of old parks. Meanwhile, it will consider investments in health care based consumer upgrades, new energy auto parts and equipment manufacturing, as well as advanced technologies.

In 2018, the Group successively raised, established and managed a number of new funds to serve the park development business, including:京冀曹妃甸協同發展示範區基金一期（有限合夥）(Beijing-Hebei Caofeidian Co-development Exhibition Zone Fund I* (limited partnership)) of RMB1 billion, focusing on supporting the development and construction of Caofeidian Park. The target subscription of 北京首鋼產業轉型基金有限公司 (Beijing Shougang Industry Transformation Fund Co., Ltd.*) with a registered capital of RMB10 billion (the first phase of registered capital of RMB3.1 billion), focusing on supporting the development of 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park*, "**Shougang Park**"). The Group adopts the real estate financial model of "funds + bases + industries" to participate in the development, management, operation, and withdrawal of industrial carriers. Through having controlling shareholding or investing in the enterprises in the old industrial zone, it will lead the high-end industries concentrating in the area and promote regional development, transformation and upgrade.

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 and alpha returns. At 30 June 2018, Jingji Group held a basket of interest in the minority stake of funds totaling HK$146 million.

The Group expects that in the foreseeable future, the management fee income and investment return from the provision of private fund management services will achieve sustainable and rapid-growth revenue.

Car Park Operation in the PRC

Shouzhong is principally engaged in the business of car parking facilities investment and operation in the PRC. The Group has completed the acquisition of 44.94382% of Shouzhong held by CIMC Transportation Equipment (International) Holding Limited ("**CIMC Transportation**") on 23 March 2018. Upon the acquisition, Shouzhong is owned as to 89.88764% by the Group. The consideration of RMB209,884,269 of which will be settled by way of issuing a total of 1,047,931,056 new shares by the Company to CIMC Transportation or its designated person at an issue price of HK$0.2475 per share. On 7 April 2018, the Board resolved to change the registered capital of Shouzhong from RMB445 million to RMB1.5 billion, all of the additional registered capital were contributed by Shouzhong (Hong Kong) Limited, a wholly-owned subsidiary of the Group.

The Group will make great efforts in developing the investment in and operation of car parking facilities, and adhere to the principle of "key cities, prime locations and quality parking spaces", while focusing on segment markets such as airports, hospitals, shopping malls, office buildings and roadside to source high quality and high-return operational projects.

For the six months ended 30 June 2018, the car park operation business recorded revenue of HK$30.67 million and gross profit margin of 13%. The Group currently has 9 car park projects in the PRC and operates approximately 5,800 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.

Currently, "difficulties and chaos in parking" is one of the painful points in the administration of large and medium-sized cities across China. Due to the huge gap between the demand for and the actual number of parking spaces, it is generally perceived that the outlook for the parking industry is optimistic. The Group provides integrated solutions in relation to regional static traffic control and smart car parking facilities for the painful points in the parking industry such as scattered, weak, small and low operational efficiency, so as to enhance its operation efficiency through improving regional static traffic and dynamic traffic management.

PERFORMANCE OF ASSOCIATES

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. It sold 510,000 tonnes raw coking coal and 1,100,000 tonnes clean coking coal during the period and its consolidated revenue for the period was HK$1,978 million, an increase of 3% over that of last period. The average selling price (include VAT) of raw coking coal and clean coking coal sold during the period were RMB733 and RMB1,366 respectively, representing an increase of 4% and decrease of 5% respectively over the last period. Profit attributable to shareholders of Shougang Resources in this period was HK$638 million while the profit was HK$662 million in corresponding period last year. Profit of Shougang Resources attributable to the Group was HK$163 million in this period while it was HK$170 million in last year.

The strong financial base of Shougang Resources with close to zero gearing ratio and bank balances of HK$4,700 million 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% held 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, the PRC. The Group's share of its net loss was HK$8 million in this period, comparing to share of net profit of HK$9 million in the same period last year.

Pursuant 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. On 12 July 2018, the second supplemental MOU was expired and ceased to have any effect. Thus, Shougang Century will have no further obligation in relation to proceed with the proposed capital injection or the proposed strategic cooperation with the independent third party. The directors are of the view that the lapse of the second supplemental MOU does not have any material adverse impact on the business operation and financial position of Shougang Century.

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 30 June 2018 as compared to 31 December 2017 is summarized below:

	As at 30 June 2018 ***HK$ Million***	As at 31 December 2017 *HK$ Million*
Cash and bank deposits	**1,570**	1,490
Loans from related companies		
– Financial leasing loans	**71**	–
Total loans	**71**	–
Shareholders' funds	**7,361**	7,025
Gearing ratio	**0.96%**	N/A

2. **Price, Currency and Interest Rate Risk**

The Company manages its financial risks in accordance with guidelines instructed 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 six months ended 30 June 2018, around 99.8% of the Group's revenue 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 30,000 tonnes of July 2018 with a contract value of US$1,922,500, and the iron ore futures contract of the net sale of 185,000 tonnes of August 2018 with a contract value of US$11,877,500.

3. **Financing Activities**

On 2 February 2018, an indirect non wholly-owned subsidiary of the Company entered into a lease agreement with South China International Leasing Company Limited ("**South China Leasing**"), pursuant to which South China Leasing has agreed to provide finance lease to the subsidiary by way of sale and leaseback the leased assets to the subsidiary for a term of 1 year. Other than which, the Company has no new term loan financing from bank during the period.

MATERIAL ACQUISITIONS & DISPOSALS

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

CAPITAL STRUCTURE

The Company issued 1,047,931,056 new shares during this period.

The issued share capital of the Company was HK$7,576,945,623 (represented by 18,963,723,510 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 281 employees as at 30 June 2018.

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

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

PROSPECTS

In 2017, the Group acquired the businesses of private fund management and car park operation in the PRC, and specified its principal business to focus on car park asset operation and management, fund management and park development supported by international trade. While creating long-term and stable profits for the Company, the private fund management business also contributed to the development of the businesses of park development and car park operation. A unique development model of "funds + bases + industries" was formed, providing a strong platform for our growth in the future. The car park operation business in the PRC has a rosy outlook thanks to the strong demand of domestic citizen for automobiles and is also our principal business to expand in the future. It is expected that the car park 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 imported iron ore was difficult to generate profit to the Group due to the traditional back to back trading of mainstream minerals. 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 order to support the business transformation, the Group has introduced new strategic shareholders to seek longer-term and broader development for the new principle business in the future. At the end of 2017, Shougang Fund acquired approximately 1.79 billion shares in the Company. In March 2018, the Company successfully completed the offering of approximately 1.05 billion new shares to CIMC Group. Furthermore, in May 2018, NWS Group acquired approximately 1.9 billion shares in the Company.

In addition, the Group announced that on 24 July 2018, the Company entered into a fund subscription agreement with Shougang Fund, NWS Group and ORIX Asia, pursuant to which, the Company conditionally agreed to allot and issue, and Shougang Fund, NWS Group and ORIX Asia have conditionally agreed to subscribe for an aggregate of approximately 4.9 billion new shares under the specific mandate subscription. The subscription shares will be issued at a subscription price of HK$0.25 per subscription share. The subscription is subject to the shareholders' approval at the GM. The subscription shares will be allotted and issued under a specific mandate to allot, issue and deal with the subscription shares by a resolution to be proposed for approval by the shareholders at the GM.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2018.

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 period.

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

Hong Kong, 30 August 2018

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

* *For identification purpose only*