

鎳資源國際控股有限公司

NICKEL RESOURCES INTERNATIONAL
HOLDINGS COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號：2889

新時代 新鋼鐵 新生活

2018

ANNUAL REPORT

二零一八年年度報告

NICKEL RESOURCES INTERNATIONAL

Nickel Resources International Holdings Company Limited is a leading integrated hi-tech special steel, non-ferrous metal and mineral enterprise in the People's Republic of China (the "PRC"). The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") in 2005 (stock code: 2889.HK) and is the first non-state-owned mineral-resources exploration, development, and processing enterprises, and is the first hi-tech special steel producer in the PRC listed abroad. Our businesses are now vertically integrated from mining to ferrous and non-ferrous metal production. We have successfully transformed from a traditional special steel manufacturer to a leading integrated mineral-resources exploration and processing enterprise in the PRC. Our businesses include ore trading, ore processing, ferrous and non-ferrous metallurgy. Our products have been extended to stainless steel, tool steel, bearing steel, gearing steel, and high strength alloy steel; and these products are widely used in metallurgy, automobile, ship-building, petrochemical, buildings, bridges, animal husbandry uses, railway transportation and infrastructures. The Group has successfully developed a number of innovative and patented technologies. For example, we used our own technology to extract valuable metals from the multi-element low-grade ore; which is able to produce high strength and high-value-added NiCr based alloy steel products from inferior ore resources. The Group capitalises on its own exclusive offtake right on mineral resources and technological advantages to enter into the mineral resources and ore processing industries. With the long-term exclusive offtake agreement entered into with an Indonesia mine, the Group is actively expanding in the PRC and overseas and is seeking iron and nickel mine investment and partnership opportunities in Southeast Asia. Currently, the Group has subsidiaries and offices in the PRC and Hong Kong with a global workforce of about 900 people.

鎳資源國際

鎳資源國際控股有限公司為中華人民共和國（「中國」）一家領先的高科技特鋼、有色金屬及礦業綜合企業。公司於二零零五年在香港聯合交易所有限公司（「聯交所」）主板上市（股份代號：2889.HK），是中國第一家非國有礦產資源勘探、開發和加工企業；也是中國第一家在境外上市的高科技特鋼生產商。集團現已形成從採礦到黑色和有色金屬冶金的垂直整合，由傳統的特鋼生產商成功轉型為中國領先的礦產資源勘探和加工綜合企業；業務包括礦石貿易、礦石加工、黑色以及有色金屬冶金；產品品種已擴展至不銹鋼、工模具鋼、軸承鋼、齒輪鋼及高強度合金鋼，該等產品廣泛應用於冶金、汽車、造船、石化、建築、橋樑、畜牧業、鐵路交通、和大型裝備。集團也成功研發多項創新和專利技術，例如從多元素低品位共生礦中提取有價金屬；並利用劣質礦資源產出高附加價值的含鎳鉻成份的高強度合金鋼產品。集團依托自身的礦產資源獨家採礦權和技術優勢進入礦產資源和礦石加工行業。透過與印尼一個礦場訂立的長期獨家採購協議，集團正在中國和海外積極擴展，並在東南亞地區尋找鐵、鎳礦山的投資及合夥機會。目前，集團在中國及香港均設有附屬公司及辦事處；全球員工約900人。



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Corporate Information

公司資料

BOARD OF DIRECTORS

Executive Directors

Mr. Dong Shutong (*Chairman and Chief Executive Officer*)
Mr. Dong Chengzhe (*Deputy Chief Executive Officer*)
Mr. Wang Ping (*Deputy Chief Executive Officer*)
Mr. Song Wenzhou
Mr. Yang Fei

Non-executive Director

Mr. Yang Tianjun

Independent Non-executive Directors

Mr. Bai Baohua
Mr. Huang Changhuai (resigned on 27 August 2018)
Mr. Wong Chi Keung
Mr. Fahmi Idris

AUDIT COMMITTEE

Mr. Wong Chi Keung (*Committee Chairman*)
Mr. Huang Changhuai (resigned on 27 August 2018)
Mr. Bai Baohua
Mr. Yang Tianjun (appointed on 27 August 2018)

REMUNERATION COMMITTEE

Mr. Bai Baohua (*Committee Chairman*)
(appointed on 27 August 2018)
Mr. Huang Changhuai (*Committee Chairman*)
(resigned on 27 August 2018)
Mr. Dong Shutong
Mr. Wong Chi Keung

NOMINATION COMMITTEE

Mr. Dong Shutong (*Committee Chairman*)
Mr. Bai Baohua
Mr. Huang Changhuai (resigned on 27 August 2018)
Mr. Wong Chi Keung

COMPANY SECRETARY

Mr. Choi Kwok Keung Sanvic

AUTHORISED REPRESENTATIVES

Mr. Dong Shutong
Mr. Yang Fei

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

董事會

執行董事

董書通先生 (*主席兼總裁*)
董鉞喆先生 (*副總裁*)
王平先生 (*副總裁*)
宋文州先生
楊飛先生

非執行董事

楊天鈞先生

獨立非執行董事

白葆華先生
黃昌淮先生 (於二零一八年八月二十七日辭任)
黃之強先生
法米先生

審核委員會

黃之強先生 (*委員會主席*)
黃昌淮先生 (於二零一八年八月二十七日辭任)
白葆華先生
楊天鈞先生 (於二零一八年八月二十七日獲委任)

薪酬委員會

白葆華先生 (*委員會主席*)
(於二零一八年八月二十七日獲委任)
黃昌淮先生 (*委員會主席*)
(於二零一八年八月二十七日辭任)
董書通先生
黃之強先生

提名委員會

董書通先生 (*委員會主席*)
白葆華先生
黃昌淮先生 (於二零一八年八月二十七日辭任)
黃之強先生

公司秘書

蔡國強先生

授權代表

董書通先生
楊飛先生

註冊辦事處

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Corporate Information

公司資料

HEAD OFFICE IN HONG KONG

Room 2003
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 7, Block F
Runhua Business Garden
No. 24 Jinshui Road, Jinshui District
Zhengzhou City, Henan Province
The PRC 450012

AUDITOR

PricewaterhouseCoopers

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East Wanchai
Hong Kong

PRINCIPAL BANKERS

Hong Kong:

China CITIC Bank International Limited
The Hongkong and Shanghai Banking Corporation Limited

The PRC:

Bank of Communications Co., Ltd.
China CITIC Bank Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Lianyungang Orient Rural Commercial Bank Co., Ltd.
Bank of Jiangsu Co., Ltd.

WEBSITE

ir.nickelholdings.com

STOCK CODE

2889

香港總辦事處

香港
上環
干諾道中168-200號
信德中心
西座
2003室

中國主要營業地點

中國
河南省鄭州市
金水區金水路24號
潤華商務花園
F座7號
郵編450012

核數師

羅兵咸永道會計師事務所

股份過戶登記總處

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1-1110, Cayman Islands

股份過戶登記處香港分處

香港中央證券登記有限公司
香港
灣仔皇后大道東183號
合和中心17M樓

主要往來銀行

香港:

中信銀行(國際)有限公司
香港上海滙豐銀行有限公司

中國:

交通銀行股份有限公司
中信銀行股份有限公司
上海浦東發展銀行股份有限公司
連雲港東方農村商業銀行股份有限公司
江蘇銀行股份有限公司

網站

ir.nickelholdings.com

股份代號

2889

Five-Year Financial Summary

五年財務概要

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of Nickel Resources International Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred as to the "Group") for the last five financial years prepared on the basis set out in the note below is as follows:

Results

財務資料概要

鎳資源國際控股有限公司(「本公司」)及其附屬公司(以下統稱「本集團」)於過去五個財政年度依據下文附註所載基準編製之已公佈業績、資產、負債及非控股權益，概要如下：

業績

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元	2014 二零一四年 HK\$'000 千港元
Loss attributable to:	以下人士應佔虧損：					
Equity holders of the Company	本公司權益持有人	(508,996)	(472,372)	(645,992)	(1,222,916)	(1,453,133)
Non-controlling interests	非控股權益	(30)	(317)	(686)	(1,437)	(1,080)
		(508,996)	(472,689)	(646,678)	(1,224,353)	(1,454,213)

Assets, Liabilities and Non-controlling Interests

資產、負債及非控股權益

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元	2016 二零一六年 HK\$'000 千港元	2015 二零一五年 HK\$'000 千港元	2014 二零一四年 HK\$'000 千港元
Total assets	總資產	3,345,924	3,372,993	3,423,972	3,779,417	5,367,597
Total liabilities	總負債	4,586,075	4,205,765	3,686,429	3,541,771	3,973,220
Non-controlling interests	非控股權益	(368)	(356)	6,006	6,682	8,465
Net (liabilities)/assets	淨(負債)/資產	(1,240,151)	(832,772)	(262,457)	237,646	1,394,377

Note:

附註：

The consolidated results of the Group for the years ended 31 December 2014, 2015, 2016 and 2017 were extracted from the Annual Report 2014, 2015, 2016 and 2017 of the Company respectively while those for the year ended 31 December 2018 were prepared based on the consolidated income statement and consolidated statement of financial position as set out on page 87 and pages 89 to 90, respectively. This summary does not form part of the audited financial statements.

本集團於截至二零一四年、二零一五年、二零一六年及二零一七年十二月三十一日止年度之綜合業績乃分別摘錄自本公司二零一四年、二零一五年、二零一六年及二零一七年度報告，而截至二零一八年十二月三十一日止年度之綜合業績乃分別基於第87頁及第89至90頁之綜合收益表及綜合財務狀況表編製。此概要並不構成經審核財務報表之一部分。

Corporate Responsibility

企業責任

UNLIMITED COMMITMENT WITH LIMITED RESOURCES

It is the responsibility of an enterprise to utilise limited resources in an efficient way and protect the environment with dedication and creativity. Aiming to fulfil unlimited commitment with limited resources, the Group has devoted efforts in the research and development of new and green technologies and products in order to realise the targets of high recovery rate, low emission as well as resources recycling with effective and comprehensive use of resources. The management believes that the Group is able to bring satisfactory economic returns for the investors through proper use of limited resources.

資源有限 責任無限

企業有責任盡力及有創意地善用有限資源及保護環境。本集團過去一直秉承「資源有限責任無限」這一信念，專注於研發嶄新環保的技術和產品，務求實現對資源的高效綜合利用，以達到高回收率、低排放量及資源再生使用等目標。管理層相信，本集團能透過善用有限資源為投資者帶來滿意的經濟回報。

Recognition and Awards 榮譽及獎項

AWARD



獎項



- Best Managed Company in Asia (Metals & Mining) 2013 from Euromoney
- Singapore 1000 Company 2012 from DP Information Group
- The Asset Triple A Awards – The China's Most Promising Companies in Mining 2011 from the Asset
- 《Euromoney》二零一三年「亞洲最佳管理公司（金屬及礦產行業）」
- DP資訊集團「新加坡1000強·2012」
- 《財資》二零一一年度「最具潛力中國礦產企業」

RECOGNITION

榮譽



- Certification for exporting and selling steel bar products in Indonesia
- 於印尼出口及銷售鋼筋產品之證書

Chairman's Statement
主席報告書

Striving for
Better Achievement

精益求精 自強不息

董書通
Dong Shutong
主席兼總裁
Chairman & CEO



Chairman's Statement

主席報告書

Dear Shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31 December 2018 and extend my gratitude to all the shareholders on behalf of the Board of Nickel Resources International Holdings Company Limited.

REVIEW

2018 continues to be a challenging year full of uncertainties for both the PRC's steel market and the Group. The over-supply situation had not fundamentally improved amid the increasingly fierce competition from similar products in the steel market although the PRC's government started to implement certain solutions to mitigate such over-supply situation continuously.

During the year, despite the recent rebound of the PRC steel market, the steel price was persistently weak but fluctuated. Together with the Export Ban which was implemented in early 2014 by the relevant governmental authorities of Indonesia has continuously casted significant doubt on the Group's financial performance and cash flows in 2018.

The above unfavourable factors continuously brought substantial negative impacts to the Group's future operational and financial performance. During the year ended 31 December 2018, despite the Group's sub-contracting services commencing since the second half of year 2017 which generated stable revenue and enhanced its cash flow position, together with the Group's turnover increased substantially when compared with last year, the Group still recorded a substantial loss mainly due to the significant finance cost of HK\$341.2 million.

PROSPECTS

The continuous development of the high strength stainless structural special steel products by the Group and the success of launching market strategies which would generate higher margin and be less affected by macroeconomic environment for household, electricity, communications, photovoltaic and animal husbandry uses, we foresee the Group will launch various new products to the higher margin market in the near future.

列位股東：

本人謹代表鎳資源國際控股有限公司董事會欣然提呈本公司截至二零一八年十二月三十一日止年度之年度報告，並向各股東致意。

回顧

對中國鋼鐵市場及本集團而言，二零一八年仍是挑戰重重及充滿不確定性的一年。雖然中國政府已開始實施若干解決方案以持續緩解有關供應過剩情況，但由於鋼鐵市場同類產品的競爭日益激烈，供應過剩情況並無實質改善。

年內，儘管中國鋼鐵市場於近期反彈，但鋼鐵價格仍持續疲軟並波動。此外，印尼相關政府機構於二零一四年初實施的出口禁運持續對本集團於二零一八年的財務表現及現金流量構成重大隱憂。

上述種種不利因素繼續對本集團的未來營運和財務表現造成重大不利影響。截至二零一八年十二月三十一日止年度，儘管本集團的加工服務由二零一七年下半年展開帶來穩定收入及強化現金流，聯同本集團銷售額雖較去年大幅上升，但本集團仍錄得了重大虧損，其中主因是重大融資成本341.2百萬港元。

未來展望

本集團持續開發高強結構用特種不銹產品及成功推出家居、電力、通訊、光伏及畜牧等將產生高利潤率且受宏觀經濟影響較小的產業的市場策略後，我們預期本集團可能會於不久將來向高利潤率市場推出各種新產品。

Chairman's Statement

主席報告書

We expect the economy of PRC will continue its healthy growth trend and the demand and profitability of our steel products will rebound in future.

In a longer term, we expect PRC will continue its modernisation and urbanisation that the demand of high quality special steel products for public infrastructure and equipment manufacturing will increase steadily. This definitely will bring enormous business opportunities for our Group.

We believe that after the technology industrialisation and modernization of special steel products, the Group will have a stronger competitive advantage in the industry.

We believe that upon on the success of implementing all the plans contained in the Resumption Proposal, including the financial restructuring exercises, the Group's financial position will be substantially improved in the future.

We believe that upon completion of the enhancement works by the Strategic Partner, the production capacity of the Company will be further strengthened and better utilised. The production of steel products under the Cooperation Agreement may bring substantial improvement on the Group's financial performance and cash flow position.

In view of the recent readjustment of the business operations and the proposed financial restructuring of the Group, we are confident that the Group will have a stronger position in the industry as well as in the special steel products market.

Also, upon the Group entered into two sale and purchase agreements in relation to the disposal of an aggregate 14% equity interest in SEAM, we are seeking for any possible alternatives and financing sources to facilitate the development of the Indonesia project, that is, for building up special steel mills in Indonesia in the foreseeable future.

I am confident to achieve our restated performance targets through the cooperation with all staff and the potential investors to bring fruitful returns to our shareholders.

Dong Shutong
Chairman & CEO

Hong Kong, 29 March 2019

我們預期中國經濟會維持健康增長趨勢，以及鋼製品需求及溢利將於未來反彈。

長遠來看，我們預期中國將繼續進行現代化及城市化進程，公共基礎設施及設備製造對優質特鋼產品的需求將穩步增長，由此定會為本集團帶來巨大商機。

我們相信，技術工業化及特鋼製品現代化後，本集團於業內的競爭優勢將更為強大。

我們相信，成功實施復牌建議所載之所有計劃（包括財務重組工作）後，本集團之財務狀況將於未來顯著改善。

我們相信，於戰略夥伴完成改善工作後，本公司之產能將獲進一步加強及更佳利用。根據合作協議生產鋼製品可能對本集團之財務表現及現金流量狀況帶來重大改善。

鑒於近期本集團重新調整其業務營運及建議進行財務重組，我們有信心本集團將可進一步鞏固於業內及特鋼產品市場的地位。

此外，隨著本集團就出售南洋礦業合共14%股權訂立兩份買賣協議後，我們現正尋求任何潛在替代方案及融資來源，以促進印尼項目發展（即於可見未來在印尼建立特鋼廠）。

本人有信心憑藉與所有員工及潛在投資者團結一心，可達成重整之業績目標，為股東創造豐厚回報。

主席兼總裁
董書通

香港，二零一九年三月二十九日



Management Discussion and Analysis

管理層討論與分析

Maintain & Focus on
Cost Controls in the Coming Years

降低生產成本 未來發展重點

Management Discussion and Analysis

管理層討論與分析

FINANCIAL HIGHLIGHTS

財務摘要

		For the year ended 31 December	
		截至十二月三十一日止年度	
		2018	2017
		二零一八年	二零一七年
		HK\$'000	HK\$'000
		千港元	千港元
Revenue	收益	448,207	296,430
Gross Profit	毛利	7,523	38,871
Loss before Interest, Tax, Depreciation and Amortisation	除利息、稅項、折舊及攤銷前之虧損	(96,938)	(52,143)
Loss before Tax	除稅前虧損	(508,996)	(472,689)
Loss Attributable to Equity Holders of the Company	本公司權益持有人應佔虧損	(508,966)	(472,372)
Gross Profit Margin	毛利率	1.7%	13.1%
LBITDA Margin	LBITDA率	(21.6%)	(17.6%)

OPERATING ENVIRONMENT ANALYSIS

Impact of Export Ban

The Group purchases ores for both trading of limonitic ore business and self-use manufacturing of iron and special steel products. In the past few years, the Group enjoyed fixed price in ore supply through an exclusive offtake agreement entered into with PT. Yiwang Mining ("Yiwang") ("EOA").

Pursuant to the relevant regulations promulgated in Indonesia, unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") has been banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to Government Regulation No. 23 of 2010 regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with Law No. 4 of 2009 regarding minerals and coal mining ("Export Ban"). Due to the Export Ban, Yiwang can no longer export unprocessed ore to the Group.

After the Export Ban, the ore trading business of the Group continued suspension in the year of 2018.

經營環境分析

出口禁運的影響

本集團購入礦石以供褐鐵礦石貿易業務及生產鐵及特鋼製品自營業務之用。過去數年，本集團藉一份與PT. Yiwang Mining (「Yiwang」)簽訂的獨家採購協議(「獨家採購協議」)受惠於以固定價格取得礦石供應。

根據印尼頒佈的相關規例，印尼採礦業務牌照持有人(「IUP持有人」)的未經處理礦石出口於二零一四年一月十二日起被禁止，惟IUP持有人已按二零一零年政府規例第23號(有關開採礦物及煤業務活動實施)在當地進行處理及提煉，並且已按二零零九年法例第4號(有關開採礦物及煤)進行提煉及冶煉則另作別論(「出口禁運」)。由於出口禁運，Yiwang不再向本集團出口未經處理的礦石。

出口禁運實施後，本集團之礦石貿易業務於二零一八年繼續停頓。

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Besides the direct impact on the ore trading business, the Export Ban also adversely affected the manufacturing of iron and special steel products. Without ore supply in stable price under the EOA, the Group had to purchase the ores from the PRC market with volatile ore price fluctuation which affected the cost of manufacturing of the iron and special steel products.

Operating environment in the year of 2018

The steel product price fluctuated during the year of 2018.

Despite the rebound of the PRC steel market since 2016, we remain pessimistic about the steel market in the PRC in the short term due to the continuation of over-supply and the persisting weak steel price under fierce competition in the steel market. Although the PRC government started to implement certain solutions to mitigate the over-supply situation, we expect the prices of iron and steel products may continue to fluctuate in the near future. However, in the long term, we expect the global economy will gradually recover and the economy of the PRC will maintain its healthy growth trend. Going forward, domestic market in the PRC will become quality-oriented, which will impose higher requirements on products in terms of environmental-friendliness, safety and durability, sustainability and recycling. We expect that the quantitative demand for high quality steel products will increase significantly in the long run, and product development will incline to the high-end market.

To capture these business opportunities, the Group has shifted to the production of high quality iron and special steel products through the application of more environmental-friendly production method. Moreover, the Group completed the innovation on the new “high-strength special steel” product in 2014 which can be applied to bridge construction, offshore oil platform construction, marine construction, ship construction, power transmission engineering and marine transport facilities. The Directors believe that the “high-strength special steel” product can contribute substantially to the Group’s future operating profits upon the successful continuing exploration, development, recognition and application of the new “high-strength special steel” products in the PRC steel market in the near future.

除了對礦石貿易業務造成直接影響，出口禁運亦對鐵及特鋼製品生產業務造成負面影響。失去獨家採購協議下價格穩定的礦石供應後，本集團須向中國市場採購礦石，由於礦石價格相當波動，因而影響了鐵及特鋼製品的生產成本。

於二零一八年的營運環境

於二零一八年，鋼產品價格波動。

儘管自二零一六年起中國鋼鐵市場出現反彈，但我們短期內仍對中國鋼鐵市場並不樂觀，原因為於鋼鐵市場激烈競爭下，供應過剩問題持續以及鋼鐵價格持續疲軟。儘管中國政府已開始實施若干方案減少該等供應過剩情況，但我們預期鐵及鋼製品的價格於不久將來可能會持續波動。然而，長遠而言，我們預期全球經濟將逐漸復甦，中國經濟亦會維持其健康增長趨勢。未來，中國國內市場將更著重質量，而對產品環保、安全及耐用、可持續及可回收方面要求更高。我們預期高質素鋼製品的長遠需求量將會大幅增長，產品的發展將趨向高端市場。

為抓住此等商機，本集團已逐步轉向生產高質素鐵及特鋼製品，並採用更環保的生產方法。此外，本集團已於二零一四年完成新「高強特鋼」產品之改進，其可應用於橋樑建設、海上石油平台建設、海洋建築、船舶建造、輸電工程及海洋運輸設備。董事相信，待不久將來中國鋼鐵市場成功持續探索、開發、認識及應用新「高強特鋼」產品後，「高強特鋼」產品將大大有助本集團之未來經營溢利。

Management Discussion and Analysis

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BUSINESS REVIEW

Project Progress

In the PRC

Lianyungang City East Harvest Mining Company Limited, a wholly-owned subsidiary of the Company, has constructed a production plant to produce nickel fine powder. The first production line of the production plant started trial production in 2012. The nickel fine powder can be treated as finished product for direct sales; alternatively, it can be treated in a blast furnace and processed into nickel-iron alloy fluid, which becomes a high-quality raw material for the production of stainless steel. The Lianyungang plant applies low carbon metallurgical technology developed by the Group. Ordinary coal, rather than coke used in traditional process, is used in the reduction purification process, under which the consumption of carbon may decrease by up to 40%. In addition, the plant can utilise low grade nickel ore for production, the cost of which is much lower than that used in traditional production process. The project is highly recognised by the local government. Moreover, the plant is situated at the Lianyungang port and benefits from geographical advantages. Ores and other raw materials from overseas can be conveniently transported to the plant, largely reducing the inland transportation costs and logistics pressure.

In Indonesia

On each of 11 March 2018 and 8 June 2018, the Group entered into a sale and purchase agreement with Mr. Sun, who is an indirect shareholder of the Subscriber, pursuant to which the Group agreed to sell an aggregate 14% equity interest in SEAM to Mr. Sun at an aggregate consideration of RMB420 million (equivalent to approximately HK\$479.3 million) conditional upon, amongst others, obtaining approval from shareholders of the Company at an extraordinary general meeting and resumption of trading of the Company's shares.

Along with the disposal of 14% equity interest in SEAM, the Group is actively assessing the available financing sources and considering any possible alternatives, including but not limited to, co-operation with local enterprises or PRC giant steel manufacturer for building up special steel mills in Indonesia.

業務回顧

項目進展

在中國

本公司全資附屬公司連雲港市東茂礦業有限公司已興建生產廠房，以生產鎳精粉。該生產廠房的首條生產線已於二零一二年投入試生產。鎳精粉既可作完成品直接出售，亦可於高爐加工成鎳鐵合金液，成為生產不銹鋼的上乘原材料。連雲港廠房採用由本集團研發的低碳冶金技術。傳統提純還原工藝採用焦煤，但新技術下則採用普通煤從而可減少碳消耗量最高達40%。此外，該廠可利用低品位鎳礦石進行生產，成本遠低於傳統生產工藝所用之原料。該項目備受地方政府認同。再者，該廠位於連雲港港口，佔盡地利，來自海外的礦石及其他原材料運入廠時相當便捷，大大減低經內陸運輸的成本及物流壓力。

在印尼

分別於二零一八年三月十一日及二零一八年六月八日，本集團與孫先生（彼為認購方之間接股東）訂立一項買賣協議，據此，本集團同意向孫先生出售於南洋礦業的合共14%股本權益，總代價為人民幣420百萬元（相當於約479.3百萬港元），其須待（其中包括）在股東特別大會上取得本公司股東的批准及本公司股份恢復買賣後，方可作實。

隨著南洋礦業的14%股本權益之出售事項，本集團現正積極評估可用的融資來源及考慮任何潛在替代方案，包括但不限於與地方企業或中國大型鋼生產商合作，以便於印尼建立特鋼廠。

Management Discussion and Analysis

管理層討論與分析

Business Development

Ore trading business

The Group purchases ores from Indonesia through the EOA at fixed price for self-use or for sale, and has started selling ores to third parties since the end of 2009. The ore trading business had a remarkable contribution to our profitability and cash flows due to strong demand from the PRC customers in the past.

However, the ore trading business of the Group has been suspended upon the Export Ban and it is anticipated that this will have a continuous significant negative impact on the financial and operating results of the Group.

It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future.

The Directors are considering any possible alternatives, including but not limited to, co-operation with local enterprises or PRC giant steel manufacturer for building up special steel mills in Indonesia.

Special steel-making operations

For the special steel-making operations of the Group, sales volume increased enormously as compared to the year of 2017 whereas the profit margins lowered during the year. Yongtong Special Steel continued to provide sub-contracting services to external customers by utilisation of its existing production capacity for enhancing its cash flow position and generating stable revenue. During the year, the Group recorded sub-contracting service income amounted to HK\$28.0 million.

In August 2018, in order to explore different avenues to further enhance the business operation, the Group entered into a strategic cooperation agreement (the "Cooperation Agreement") with a strategic partner (the "Strategic Partner"), pursuant to which the Group agreed to provide its fixed assets and the Strategic Partner agreed to provide management personnel, technical support and a loan of not more than RMB100 million for production of the steel products by utilising the production plants of the Group. Pursuant to the Cooperation Agreement, the Strategic Partner has undertaken enhancement work on the production plants of the Company in order to strengthen the existing production capacity and its ability, during which the production of certain production facilities has been temporarily suspended.

業務發展

礦石貿易業務

本集團透過獨家採購協議以固定價格由印尼購入礦石以供自用或銷售，並且已於二零零九年年末開始向第三方銷售礦石。因為中國客戶的需求強勁，礦石貿易業務於過往對我們的盈利能力及現金流有可觀貢獻。

然而，在出口禁運後，本集團的礦石貿易業務已暫停。我們預期有關禁運將持續對本集團之財務及經營業績帶來重大負面影響。

印尼的相關採礦規例可能會有所修訂，但不保證出口禁運將於不久將來取消。

董事現正考慮任何可能替代方案，包括但不限於與地方企業或中國大型鋼生產商合作，以便於印尼建立特鋼廠。

特鋼製造業務

就本集團的特鋼製造業務而言，銷量較二零一七年大幅增加，而溢利率下跌。永通特鋼繼續利用其現有產能向外部客戶提供加工服務，以改善其現金流量狀況及產生穩定收益。年內，本集團錄得加工服務收入28.0百萬港元。

於二零一八年八月，為發掘不同渠道以進一步改善業務營運，本集團與戰略夥伴（「戰略夥伴」）訂立戰略合作協議（「合作協議」），據此，本集團同意提供其固定資產，而戰略夥伴同意提供管理人員、技術支援及不多於人民幣100百萬元之貸款，以透過利用本集團之生產廠房生產鋼產品。根據合作協議，戰略夥伴已對本公司之生產廠房進行改善工作，以加強現有產能及能力，期間若干生產設施已暫時停產。

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We expect while the keen competition in the steel market of the PRC will continue in 2019, the demand for steel products will gradually pick up. Following the Environmental Protection Bureau taking measures to monitor and control the air pollution index since 2016, we expect the environmental protection issues will continue in 2019 and the supply of the stainless steel products market may be affected. Therefore, the Group will take this opportunity to produce substantially the stainless steel products in demand in near future. The Group is also proactively developing and launching new high-value-added special steel products and identifying PRC and overseas markets with growth potentials to strengthen our product portfolio and reduce the market concentration risk.

Financing Arrangement

As at 31 December 2018, the Group had net current liabilities of approximately HK\$4,172.1 million. The Group has been actively negotiating with PRC and overseas banks and institutional investors for new borrowings and renewal of existing borrowings when they fall due. During the year, the Group had successfully obtained bank and other borrowings of HK\$200.8 million to finance its operation and for repayment of its borrowings when they fall due.

In addition, based on the framework agreement with a potential investor for the disposal of 30% equity interest of SEAM, a wholly-owned subsidiary of the Group, the aggregate consideration will be approximately US\$150 million (equivalent to approximately HK\$1,170 million). The transaction is still in progress or may be modified in near future (currently under negotiation with relevant parties) due to the rapid change in operating and regulatory environment of SEAM, and the potential investor needs more time for conducting due diligence work.

On each of 11 March 2018 and 8 June 2018, the Group entered into a sale and purchase agreement with Mr. Sun, who is also an indirect shareholder of the Subscriber, pursuant to which the Group agreed to sell an aggregate 14% equity interest in SEAM to Mr. Sun at an aggregate consideration of RMB420 million (equivalent to approximately HK\$479.3 million).

我們預期，儘管中國鋼鐵市場競爭激烈的情況於二零一九年仍會持續，然而鋼產品的需求將會逐步回升。由於環境保護局自二零一六年起採取措施監督及監控空氣污染指數，我們預計二零一九年將會繼續實施環境保護措施，且不銹鋼製品市場的供應可能會受到影響。因此，本集團將會把握這個機會，在近期大力生產受歡迎的不銹鋼製品。本集團亦正在積極發展及推出新的高增值特鋼產品，並物色具增長潛力的中國及海外市場，以鞏固我們的產品組合，減低市場集中的風險。

融資安排

於二零一八年十二月三十一日，本集團之流動負債淨額約為4,172.1百萬港元。本集團已積極就新的借款及重續現有到期借款，與中國境內及海外銀行以及機構投資者展開磋商。年內，本集團已順利獲得200.8百萬港元之銀行貸款及其他借貸，以撥付其經營資金及償還到期借貸。

此外，按照就出售本集團全資附屬公司南洋礦業30%股本權益而與準投資者訂立的框架協議，代價總額約為150百萬美元（相等於約1,170百萬港元）。基於南洋礦業的經營環境及監管環境急變，該交易仍在進行中或可能於不久將來作出修改（目前正與有關方面磋商），而準投資者需要更多時間進行盡職審查。

分別於二零一八年三月十一日及二零一八年六月八日，本集團與孫先生（彼亦為認購方之間接股東）訂立一項買賣協議，據此，本集團同意向孫先生出售於南洋礦業的合共14%股本權益，總代價為人民幣420百萬元（相當於約479.3百萬港元）。

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Subscription

Subscription agreement

References are made to the announcements of the Company dated 7 March 2016 and 29 September 2016 in respect of, among other things, the (i) proposed issue of Subscription Shares under the Specific Mandate; (ii) application for the Whitewash Waiver; and (iii) Special Deal (the "Subscription Announcements"). Unless otherwise stated, capitalised terms used in those announcements shall have the same meanings as defined in the Subscription Announcements.

On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement pursuant to which the Subscriber agreed to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of approximately HK\$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling HK\$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:

- approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");
- Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;
- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");
- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

認購事項

認購協議

茲提述本公司日期為二零一六年三月七日及二零一六年九月二十九日之公告，內容有關（其中包括）(i)建議根據特定授權發行認購股份；(ii)申請清洗豁免；及(iii)特別交易（「認購公告」）。除非另有所指，該等公告所用之詞彙與認購公告所界定者具有相同涵義。

於二零一六年三月五日，本公司與一名潛在投資者（「潛在投資者」或「認購方」）訂立一份股份認購協議，據此，認購方同意按每股約0.1876港元的認購價認購本公司合共1,465,898,410股新普通股（「認購股份」），建議所得款項總額合計為275百萬港元（「認購事項」），惟須受若干先決條件規限，其中包括以下各項：

- 在本公司股東特別大會（「股東特別大會」）上就下列事項取得本公司股東或獨立股東（如適當）的批准：(i)配發及發行認購股份；(ii)清洗豁免；及(iii)特別交易（定義見下文）；
- 香港證券及期貨事務監察委員會（「證監會」）就認購方及其一致行動人士的責任授出清洗豁免，豁免彼等因認購事項可能另行引致須就認購方及其一致行動人士尚未擁有（或同意將予收購）的本公司所有已發行股份及其他有關證券提出強制性全面現金要約；
- 證監會同意根據下文所述的建議債務重組，利用認購事項的所得款項，向作為本公司股東的任何債權人作出還款（「特別交易」）；
- 聯交所批准本公司股份恢復買賣及認購股份上市；及

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- completion of a debt restructuring by the Company by way of the “Schemes” (the “Debt Restructuring Proposal”). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction of and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.
- 本公司透過「計劃」方式完成債務重組（「債務重組建議」）。債務重組指本公司的債務重組計劃，當中涉及（其中包括）：(i)削減及註銷債券的未償還本金額至少80%；(ii)削減及註銷債券所有未償還應計利息；(iii)解除及免除就12%票面息優先債券及8%票面息可換股債券提供的所有抵押品；及(iv)削減及註銷債務重組建議所述的本公司所有其他債務及或然負債至少80%。

On 29 September 2016 and 23 September 2017, the Company and the Subscriber agreed to extend the Long Stop Date from 31 December 2016 to 30 September 2017 and from 30 September 2017 to 30 June 2018 respectively.

Supplemental Subscription Agreements

On 21 May 2018 and 10 June 2018, the Subscriber, the Company and Mr. Dong Shutong entered into the Supplemental Subscription Agreements, pursuant to which the Subscriber, the Company and Mr. Dong Shutong, being the chairman and executive Director of the Company, agreed to supplement and/or amend certain terms and conditions of the Subscription Agreement as follows:

Long Stop Date

Pursuant to the Supplemental Subscription Agreements, the Company and the Subscriber agreed to further extend the Long Stop Date from 30 June 2018 to 30 September 2018 or such other date as may be agreed by the Company and the Subscriber in writing from time to time.

於二零一六年九月二十九日及二零一七年九月二十三日，本公司與認購方同意將最後完成日期分別由二零一六年十二月三十一日延長至二零一七年九月三十日；及由二零一七年九月三十日延長至二零一八年六月三十日。

補充認購協議

於二零一八年五月二十一日及二零一八年六月十日，認購方、本公司與董書通先生訂立補充認購協議，據此，認購方、本公司及董書通先生（本公司主席兼執行董事）同意補充及／或修訂認購協議之若干條款及條件如下：

最後完成日期

根據補充認購協議，本公司及認購方同意將最後完成日期由二零一八年六月三十日進一步延長至二零一八年九月三十日或本公司與認購方可能不時書面協定之有關其他日期。

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管理層討論與分析

Conditions Precedent

Pursuant to the Supplemental Subscription Agreements:

- (1) The conditions precedent to Completion as contemplated under the Subscription Agreement (as set out in the section headed “Conditions Precedent” in the Company’s announcement dated 7 March 2016), which require (i) approvals by the Shareholders, or Independent Shareholders when appropriate, at the EGM; (ii) grant of the Whitewash Waiver by the Executive to the Subscriber; and (iii) consent to the Special Deal by the Executive, are expanded to include all the necessary Shareholders’ or Independent Shareholders’ approval(s) and waiver(s)/consent(s) by the Executive in relation to not only the Subscription but all the transactions and arrangements contemplated under the Resumption Proposal.
- (2) Subject to all the other conditions precedent to Completion having been satisfied or waived (if applicable) before the Long Stop Date, the Subscriber agreed to waive the following conditions:
 - (i) a written confirmation having been given by the Stock Exchange and the SFC (if applicable) confirming that they have no further comments on the announcement in relation to the resumption of trading in the Shares on the Stock Exchange and/or the Resumption Proposal; and
 - (ii) the approval of resumption of trading in the Shares having been obtained from the Stock Exchange (subject to other Resumption Conditions having been satisfied and such Resumption Conditions not having adverse effect on the transactions contemplated under the Subscription Agreement or the right of the Subscriber thereunder), and such approval not having been revoked.

先決條件

根據補充認購協議：

- (1) 認購協議項下擬定完成之先決條件（載於本公司日期為二零一六年三月七日之公告內「先決條件」一節），其規定(i)股東或獨立股東（倘適用）於股東特別大會上批准；(ii)執行人員向認購方授出清洗豁免；及(iii)執行人員就特別交易授出之同意擴大至包括所有必要股東或獨立股東批准及執行人員不僅就認購事項授出豁免／同意，亦就復牌建議項下擬進行之一切交易及安排授出豁免／同意。
- (2) 倘完成之所有其他先決條件於最後完成日期前獲達成或豁免（如適用），認購方同意豁免以下條件：
 - (i) 聯交所及證監會（如適用）發出書面確認，確認彼等對有關股份於聯交所恢復買賣及／或復牌建議之公告再無進一步意見；及
 - (ii) 已取得聯交所批准股份恢復買賣（須已達成其他復牌條件，且有關復牌條件並無對認購協議項下擬進行之交易或認購方於認購協議項下之權利造成不利影響），且有關批准並無被撤回。

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Settlement of consideration

The Subscriber will pay no more than HK\$150 million (as set out in the section headed “Use of proceeds and future business plan” in the Company’s announcement dated 7 March 2016) directly to the designated trust account of, or such other account as directed by, the scheme administrator pursuant to the Debt Restructuring under the Resumption Proposal on the Completion Date, subject to all the Conditions Precedent having been satisfied or waived (as the case may be).

Post-completion obligation of the Company

The Company must fulfil the following conditions (“Post-completion Obligation”) within 2 months from the Completion Date or on or before 5 October 2018, whichever is later (“Post-completion Long Stop Date”):

- (i) all the Resumption Conditions and the conditions set out in the LRC Decision Letter (including any other resumption conditions as imposed or amended by the Stock Exchange from time to time) having been satisfied in full; and
- (ii) the approval from the Stock Exchange to the resumption of trading in the Shares having been obtained and such approval not having been revoked.

In the event the Company fails to fulfil the Post-completion Obligation on or before the Post-completion Long Stop Date or such later date as the parties to the Supplemental Subscription Agreements may agree, the Company shall, subject to the applicable rules and regulations, use its best endeavours to facilitate the Subscriber to receive in cash an amount equivalent to the sum of (i) the actual consideration paid by it under the Subscription, and (ii) 10% of such actual consideration paid (being the finance costs and administrative expenses incurred in connection with the Subscription) (together, the “Agreed Amount”) on or before the expiration of the 18th months from the Post-completion Long Stop Date (the “Due Date”).

Such endeavours shall not involve any transfer of Shares from the Subscriber to the Company, Mr. Dong Shutong and/or any other person which will trigger any obligation to make a mandatory general offer to the Shareholders under Rule 26.1 of the Takeovers Code by any person.

償付代價

認購方將於完成日期根據復牌建議項下之債務重組直接向計劃管理人指定之信託戶口（或計劃管理人指示之有關其他戶口）支付不多於1.5億港元（誠如本公司日期為二零一六年三月七日之公告中「所得款項用途及未來業務計劃」一節所載），惟須待所有先決條件獲達成或豁免（視乎情況而定）後，方可作實。

本公司之完成後責任

本公司必須於完成日期起計兩個月內或於二零一八年十月五日或之前（以較遲者為準）（「完成後之最後完成日期」）達成以下條件（「完成後責任」）：

- (i) 所有復牌條件及載於上市（覆核）委員會決定信件之條件（包括聯交所不時施加或修訂之任何其他復牌條件）已獲全面達成；及
- (ii) 已取得聯交所批准股份恢復買賣，而有關批准並無被撤回。

倘本公司未能於完成後之最後完成日期或之前或補充認購協議之訂約各方可能協定之有關較後日期履行完成後責任，則本公司須在適用規則及法規之規限下盡其最大努力促使認購方於完成後之最後完成日期起計第18個月屆滿時（「到期日」）或之前以現金收取相等於以下各項總和之金額：(i)其於認購事項項下已付之實際代價；及(ii)有關已付之實際代價之10%（為認購事項產生之融資成本及行政開支）（統稱「協定金額」）。

有關努力須不涉及認購方向本公司、董書通先生及／或任何其他人士轉讓任何股份（其將觸發任何人士根據收購守則規則26.1向股東提出強制性全面要約之任何責任）。

Management Discussion and Analysis

管理層討論與分析

Guarantee

The Company's Post-completion Obligation and its obligation to facilitate the Subscriber's receipt of the Agreed Amount on or before the Due Date are unconditionally and irrevocably guaranteed by Mr. Dong Shutong. In the event the Subscriber fails to receive the Agreed Amount in full on or before the Due Date, Mr. Dong Shutong, being the guarantor, shall be obligated to pay to the Subscriber the shortfall of the Agreed Amount together with interest thereon calculated at the rate of 0.05% per calendar day and accruing from the Due Date up to (and including) the date on which the Agreed Amount is paid in full. Such guarantee shall not involve any transfer of Shares from the Subscriber to Mr. Dong Shutong and/or any other person which will trigger any obligation to make a mandatory general offer to the Shareholders under Rule 26.1 of the Takeovers Code by any person.

Save as disclosed above, other terms and conditions of the Subscription Agreement remain unchanged.

On 29 September 2018, the Company and the Subscriber agreed to further extend the Long Stop Date from 30 September 2018 to 31 December 2019 or such other date as may be agreed by the Company and the Subscriber in writing from time to time.

Update on the status of the Debt Restructuring Proposal Bonds

References are made to the announcements of the Company dated 30 May 2016, 24 June 2016 and 7 July 2016 regarding the convening of Meetings and Adjourned Meetings of Bondholders (the "Bond Announcements"). Capitalised terms used herein have the same meanings as those defined in the Bond Announcements unless defined otherwise.

擔保

本公司之完成後責任及其促使認購方於到期日或之前收取協定金額之責任由董書通先生無條件及不可撤銷地擔保。倘認購方未能於到期日或之前悉數收取協定金額，董書通先生（作為擔保人）將有責任向認購方支付協定金額之差額連同按每個曆日0.05%之利率計算自到期日起直至（及包括）協定金額獲悉數償付當日累計之利息。有關擔保須不涉及認購方向董書通先生及／或任何其他人士轉讓任何股份（其將觸發任何人士根據收購守則規則26.1向股東提出強制性全面要約之任何責任）。

除上文所披露者外，認購協議之其他條款及條件均維持不變。

於二零一八年九月二十九日，本公司與認購方同意將最後完成日期由二零一八年九月三十日進一步延長至二零一九年十二月三十一日或本公司與認購方可能不時書面協定之有關其他日期。

債務重組建議狀況之更新 債券

茲提述本公司日期為二零一六年五月三十日、二零一六年六月二十四日及二零一六年七月七日之公告，內容有關召開債券持有人大會及延期大會（「債券公告」）。除非另有界定，此處所用之詞彙與債券公告所界定者具有相同涵義。

Management Discussion and Analysis

管理層討論與分析

Since December 2014, the Group had continuous default in payment of due interest and principal under the terms and conditions of the Bonds, the default may trigger a cross-default in accordance with respective terms and conditions of the Bonds. In such an event, DB Trustees (Hong Kong) Limited, in its respective capacities as trustee for the holders of the Bonds is entitled to, amongst other things, accelerate the Company's obligations under the Bonds and declare the outstanding principal amounts of the Bonds to be immediately due and payable, together with outstanding interest and all other sums payable. Upon the passing of the Extraordinary Resolutions by the Company on 21 June 2016 and 6 July 2016, no Senior Bondholder or Convertible Bondholder shall demand repayment of any amount due under such Bonds or take any action to enforce the payment of monies or exercise any other right thereunder or otherwise take any action against the Company whether or not under the terms and conditions of such Bonds or request or require the relevant bonds trustee to take any action against the Company from the date of the Extraordinary Resolutions to (and including) the date upon which the Schemes are implemented.

As disclosed in the announcement of the Company dated 13 June 2016, (i) the principal amount of the 12% Coupon Senior Bonds of HK\$390,990,000 and the accrued interest of HK\$90,769,000 were outstanding; (ii) the principal amount of the 8% Coupon Convertible Bonds of HK\$117,525,000 and the accrued interest of HK\$18,725,000 were outstanding; and (iii) the principal amount of the Modified 10% Coupon Bonds of HK\$28,400,000 and the accrued interest of HK\$5,996,000 were outstanding as at 12 June 2016.

Background of the meetings of the Bondholders

As disclosed in the announcement of the Company dated 7 March 2016, completion of the Subscription is conditional upon, among other things, the necessary order of the High Court of Hong Kong and consent of the other relevant parties with respect to the execution of an approved scheme of arrangement between the Company and the creditors under the Debt Restructuring Proposal having been obtained.

自二零一四年十二月以來，本集團持續拖欠支付債券條款及條件項下之應付利息及本金，根據債券有關條款及條件，拖欠款項可能導致交叉違約。於此事件下，作為債券持有人之信託人，德意志信託（香港）有限公司因而有權（其中包括）加快本公司之債券欠款償還及宣佈債券之未償還本金連同未償還利息及所有其他應付金額到即時期及應付。本公司於二零一六年六月二十一日及二零一六年七月六日通過特別決議案後，自特別決議案日期至（及包括）計劃實施當日，優先債券持有人或可換股債券持有人不得要求償還該等債券項下任何到期金額或採取任何行動迫使支付款項或行使其項下任何其他權利或以其他方式向本公司採取任何行動（不論是否根據該等債券之條款及條件）或請求或要求相關債券受託人向本公司採取任何行動。

誠如本公司日期為二零一六年六月十三日之公告所披露，於二零一六年六月十二日，(i) 12%票面息優先債券之本金390,990,000港元及應計利息90,769,000港元仍未償還；(ii) 8%票面息可換股債券之本金117,525,000港元及應計利息18,725,000港元仍未償還；及(iii)經修訂10%票面息債券之本金28,400,000港元及應計利息5,996,000港元仍未償還。

債券持有人大會背景

誠如本公司日期為二零一六年三月七日的公告所披露，認購事項須待（其中包括）就執行債務重組建議項下本公司與債權人之間的已批准重組安排計劃獲得香港高等法院的必要命令及其他相關方的同意後，方告完成。

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管理層討論與分析

As an initial step of the Debt Restructuring Proposal, separate meetings of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders were convened in order to give effect to the following:

- the Convertible Bondholders to be treated as a separate and single class under the Schemes, not as part of the class of secured creditors of the Company, who are creditors under the Schemes nor as part of the same class as the Senior Bondholders;
- the Senior Bondholders to be treated as part of the same class as the existing unsecured creditors of the Company (including the 10% Bondholders), who are creditors under the Schemes;
- the cancellation of all outstanding principal on the Bonds;
- the cancellation of all outstanding interest, accrued and unpaid, on the Bonds; and
- the release and discharge of all of the Convertible Bonds Security and the Senior Bonds Security, respectively,

in return for, in the case of the Senior Bonds and the 10% Bonds, a Cash Distribution and in the case of the Convertible Bonds, either a Cash Distribution or a Shares Distribution. No Convertible Bondholders shall be entitled to receive a combination of a Cash Distribution and a Shares Distribution. For details, please refer to the Bond Announcements.

作為債務重組建議的第一步，可換股債券持有人、優先債券持有人及10厘債券持有人已召開獨立大會以使以下各項生效：

- 可換股債券持有人被視作計劃項下獨立單一類別，而非為本公司有抵押債權人（為計劃項下債權人）類別的一部分，亦非為優先債券持有人同一類別的一部分；
- 優先債券持有人被視作本公司現有無抵押債權人（包括10厘債券持有人）（為計劃項下債權人）同一類別的一部分；
- 註銷債券所有未償還本金；
- 註銷債券所有應計及未付的未償還利息；及
- 分別解除及免除所有可換股債券抵押品及優先債券抵押品，

倘為優先債券及10厘債券，可換取現金分派，而倘為可換股債券，則換取現金分派或股份分派。概無可換股債券持有人有權同時收取現金分派及股份分派。更多詳情，請參閱債券公告。

Management Discussion and Analysis

管理層討論與分析

Meetings of the Bondholders

Separate meetings of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders were convened by the Company to consider and, if thought fit, pass separate extraordinary resolutions of the Convertible Bondholders, the Senior Bondholders and the 10% Bondholders, as the case may be (the “Extraordinary Resolutions”):

- for the Convertible Bondholders and the Senior Bondholders, as the case may be, to agree, and to instruct the relevant bonds trustee and the Security Trustee, not to enforce the Security in relation to the Convertible Bonds and the Senior Bonds, as the case may be, from the date of the meeting to the date the Schemes become Effective, or if the Debt Restructuring Proposal is not approved at the Scheme Meetings, the completion of the Scheme Meetings;
- to approve the terms of the Debt Restructuring Proposal; and
- to give instructions to the relevant Bonds Trustee to vote the full principal amount of the relevant Bonds which are outstanding in favour of the Schemes at the Scheme Meetings and any adjourned or rescheduled Scheme Meeting.

Results, adjournment and dissolution of the meetings of the Bondholders

As at the date of the Meetings of the Bondholders, according to DB Trustees (Hong Kong) Limited, in its capacities as trustees for the relevant Bonds, the outstanding principal amounts of the Convertible Bonds, the Senior Bonds and the 10% Bonds were HK\$87,850,000, HK\$390,990,000 and HK\$28,400,000, respectively.

The Company announced that:

- (a) as a quorum was not present at the Meeting of the Convertible Bondholders convened and held at 10:30 a.m. (Hong Kong time) on 21 June 2016 after 15 minutes since the time appointed for holding such Meeting, such Meeting was adjourned in accordance with the terms of the Convertible Bonds Trust Deed to 6 July 2016 at 10:30 a.m. (Hong Kong time) at the same address as the original Meeting of the Convertible Bondholders, i.e. Room 3501, 35th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The notice for the adjourned Meeting of the Convertible Bondholders will be published in accordance with the terms of the Convertible Bonds Trust Deed.

債券持有人大會

本公司已召開可換股債券持有人、優先債券持有人及10厘債券持有人獨立大會，以考慮及酌情通過可換股債券持有人、優先債券持有人及10厘債券持有人（視情況而定）的獨立特別決議案（「特別決議案」）：

- 就可換股債券持有人及優先債券持有人（視情況而定）而言，同意及指示相關債券受託人及抵押受託人不得於大會日期起至計劃生效日期（或倘債務重組建議於計劃大會上不獲批准，則於計劃大會結束時）止就可換股債券及優先債券（視情況而定）執行抵押；
- 批准債務重組建議的條款；及
- 指示相關債券受託人於計劃大會及任何延期或改期計劃大會以相關債券全部未償還本金額投票贊成計劃。

債券持有人大會結果、延期及解散

於債券持有人大會日期，根據作為相關債券受託人的德意志信託（香港）有限公司，可換股債券、優先債券及10厘債券未償還本金額分別為87,850,000港元、390,990,000港元及28,400,000港元。

本公司宣佈：

- (a) 由於二零一六年六月二十一日上午十時三十分（香港時間）所召開及舉行可換股債券持有人大會於有關大會指定舉行時間起計15分鐘後，未有足夠法定人數出席，因此，有關大會已根據可換股債券信託契據條款延期至二零一六年七月六日上午十時三十分（香港時間）假座原訂可換股債券持有人大會相同地點舉行，地址為香港干諾道中168至200號信德中心招商局大廈35樓3501室。延期舉行的可換股債券持有人大會通告將根據可換股債券信託契據條款刊發。

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(b) the Meeting of the Senior Bondholders convened and held at 11:00 a.m. (Hong Kong time) on 21 June 2016 was quorate at the first calling and the number of votes cast at such Meeting was as follows:

(b) 二零一六年六月二十一日上午十一時正（香港時間）所召開及舉行優先債券持有人大會於首次召開時已達法定人數，有關大會上投票表決的票數如下：

		FOR 贊成	AGAINST 反對
Total number of votes cast	投票總數	14,270	104
Votes as a percentage of all votes cast (%)	選票佔全部所投票數的百分比(%)	99.28%	0.72%
Votes as a percentage of all outstanding Senior Bonds (%)	選票佔全部未償還優先債券的百分比(%)	91.24%	0.67%

As at least three-quarters of the votes cast at the Meeting of the Senior Bondholders were cast in favour of the Extraordinary Resolution, the Extraordinary Resolution put forward to the Senior Bondholders was passed, and will become effective subject to the Extraordinary Resolution to be considered by the Convertible Bondholders also being passed at the adjourned Meeting of the Convertible Bondholders (or any further adjournment thereof). No holder of the Senior Bonds was required to abstain from voting on the Extraordinary Resolution at the Meeting of the Senior Bondholders; and

由於優先債券持有人大會上最少四分之三的票數贊成特別決議案，因此，向優先債券持有人提呈的特別決議案已獲通過，並將於可換股債券持有人將考慮的特別決議案於延期舉行的可換股債券持有人大會（或任何進一步延期大會）一同獲通過後生效。概無優先債券持有人須於優先債券持有人大會上就特別決議案放棄投票；及

(c) as a quorum was not present at the Meeting of the 10% Bondholders convened and held at 11:30 a.m. (Hong Kong time) on 21 June 2016 after 15 minutes since the time appointed for holding such Meeting, as agreed by the Company and the 10% Bonds Trustee, such Meeting was dissolved in accordance with the 10% Bonds Trust Deed.

(c) 由於二零一六年六月二十一日上午十一時三十分（香港時間）所召開及舉行10厘債券持有人大會於有關大會指定舉行時間起計15分鐘後，未有足夠法定人數出席，因此，在本公司與10厘債券受託人協定下，有關大會根據10厘債券信託契據予以解散。

Results of the adjourned meeting of the convertible bondholders

As at the date of the adjourned Meeting of the Convertible Bondholders, according to DB Trustees (Hong Kong) Limited, in its capacity as trustee for the Convertible Bonds, the outstanding principal amount of the Convertible Bonds was HK\$46,775,000.

可換股債券持有人延期大會的結果

於可換股債券持有人延期大會日期，根據作為可換股債券受託人的德意志信託（香港）有限公司，可換股債券的未償還本金額為46,775,000港元。

Management Discussion and Analysis

管理層討論與分析

The Company announced that the adjourned Meeting of the Convertible Bondholders convened and held at 10:30 a.m. (Hong Kong time) on 6 July 2016 was quorate and the number of votes cast at such adjourned Meeting was as follows:

本公司宣佈，於二零一六年七月六日上午十時三十分（香港時間）召開及舉行的可換股債券持有人延期大會已達法定人數，有關延期大會上投票表決的票數如下：

		FOR 贊成	AGAINST 反對
Total number of votes cast	投票總數	1,446	285
Votes as a percentage of all votes cast (%)	選票佔全部所投票數的百分比(%)	83.54%	16.46%
Votes as a percentage of all outstanding Convertible Bonds (%)	選票佔全部未償還可換股債券的百分比(%)	77.28%	15.23%

As at least three-quarters of the votes cast at the adjourned Meeting of the Convertible Bondholders were cast in favour of the Extraordinary Resolution, the Extraordinary Resolution put to the Convertible Bondholders was passed and became effective. No holder of the Convertible Bonds was required to abstain from voting on the Extraordinary Resolution at the adjourned Meeting of the Convertible Bondholders.

由於可換股債券持有人延期大會上最少四分之三的票數贊成特別決議案，因此，向可換股債券持有人提呈的特別決議案已獲通過並生效。概無可換股債券持有人須於可換股債券持有人延期大會上就特別決議案放棄投票。

The Extraordinary Resolution put to the Meeting of the Senior Bondholders which was passed on 21 June 2016 has also become effective from the time the Extraordinary Resolution put to the Convertible Bondholders at the adjourned Meeting of the Convertible Bondholders was passed.

提呈優先債券持有人大會並於二零一六年六月二十一日獲通過的特別決議案亦已自於可換股債券持有人延期大會上向可換股債券持有人提呈的特別決議案獲通過時起生效。

Scheme meetings

Following the passing and effectiveness of the Extraordinary Resolutions on 6 July 2016, the Company prepared the necessary documents to submit to the courts for the creditors' approval and court sanction for the Cayman Scheme and Hong Kong Scheme under the Debt Restructuring Proposal. As disclosed in the Company's announcements, completion of the Subscription is conditional upon, among other things, the approval of the Schemes by the courts under the Debt Restructuring Proposal. The application to the courts and the approval of the Schemes by the creditors at the Scheme Meetings will be the next steps towards the satisfaction of the condition precedent to completion of the Subscription.

計劃大會

繼特別決議案於二零一六年七月六日獲通過及生效後，本公司已準備呈交法院之必要文件，以獲得債務重組建議項下開曼計劃及香港計劃之債權人批准及法院批准。誠如本公司公告所披露，認購事項須待（其中包括）法院根據債務重組建議批准計劃後，方告完成。向法院作出申請及債權人於計劃大會批准計劃將作為邁向達成完成認購先決條件之下一步。

Management Discussion and Analysis

管理層討論與分析

On 3 July 2018, the Company received a letter from Stock Exchange which stated that the Listing Committee was not satisfied that the Company had fully met the conditions set out in the LRC Decision Letter and decided to cancel the Company's listing status under Practice Note 17 to the Listing Rules. The Board strongly disagrees with such Decision. More importantly, due to the uncertainty given rise by the Decision, the court convening hearings in relation to the Schemes for the Grand Court of the Cayman Islands and the Hong Kong High Court, which were originally scheduled for 3 July 2018 and 10 July 2018 respectively, have been adjourned, and the implementation of the Resumption Proposal and thus the fulfillment of all resumption conditions will be adversely affected.

於二零一八年七月三日，本公司接獲聯交所發出之函件，指出上市委員會並不信納本公司已完全符合上市（覆核）委員會決定信件所述條件，並決定根據上市規則第17項應用指引取消本公司上市地位。董事會強烈反對該決定。更重要的是，由於該決定所產生之不確定性，原定於二零一八年七月三日及二零一八年七月十日分別於開曼群島大法院及香港高等法院進行之有關債務安排計劃聆訊已延期，而復牌建議書的實踐以及達成所有復牌條件的將受到不利影響。

FINANCIAL REVIEW

Turnover and sales volume

Major income of the Group were manufacturing of ferro-nickel alloys, Ni-Cr alloy steel ingot and stainless steel products and sub-contracting services. The table below sets out the turnover and sales volume of our products for the years indicated:

財務回顧

營業額及銷量

本集團之主要收入為製造鎳鐵合金、鎳鉻合金鋼錠及不銹鋼產品及鋼鐵製品加工服務。下表載列本集團產品於所示年度之營業額及銷量：

Turnover

營業額

		For the year ended 31 December			
		截至十二月三十一日止年度			
		2018		2017	
		二零一八年		二零一七年	
		HK\$'000	%	HK\$'000	%
		千港元	%	千港元	%
Iron and Special Steel Products:	鐵及特鋼製品：				
Ni-Cr alloy steel ingot	鎳鉻合金鋼錠	273,629	61%	18,748	6%
Stainless steel products	不銹鋼產品	65,752	15%	187,480	63%
Ferro-nickel alloy steel ingot and others	鎳鐵合金錠及其他	80,838	18%	50,114	17%
Sub-contracting services	鋼鐵製品加工服務	27,988	6%	40,088	14%
Total	總計	448,207	100%	296,430	100%

Management Discussion and Analysis

管理層討論與分析

Sales volume

銷量

		For the year ended 31 December 截至十二月三十一日止年度			
		2018 二零一八年		2017 二零一七年	
		(tonnes) (公噸)	%	(tonnes) (公噸)	%
Iron and Special Steel Products:	鐵及特鋼製品：				
Ni-Cr alloy steel ingot	鎳鉻合金鋼錠	68,220	39%	3,525	3%
Stainless steel products	不銹鋼產品	18,656	11%	44,006	35%
Ferro-nickel alloy steel ingot and others	鎳鐵合金錠及其他	21,154	12%	13,048	10%
Sub-contracting services	鋼鐵製品加工服務	66,937	38%	65,305	52%
Total	總計	174,967	100%	125,884	100%

In 2018, the turnover of the Group recorded a significant increase of HK\$151.8 million, or 51.2%, to HK\$448.2 million (2017: HK\$296.4 million) due to the recent rebound of the PRC steel market.

於二零一八年，由於近期中國鋼鐵市場回升，本集團營業額大幅增長151.8百萬港元或51.2%至448.2百萬港元（二零一七年：296.4百萬港元）。

More than half of the revenue of the Group in 2018 was contributed by sales of Ni-Cr alloy steel ingot, which was increased by HK\$254.9 million or 1363.1% to HK\$273.6 million (2017: HK\$18.7 million). The sales volume was significantly increased by 64,695 tonnes, or 1835.3% to 68,220 tonnes (2017: 3,525 tonnes). The average selling price per tonne was lowered by HK\$1,308, or 24.6% to HK\$4,011 (2017: HK\$5,319).

本集團於二零一八年超過一半之收益來自鎳鉻合金鋼錠之銷售，其增加254.9百萬港元或1363.1%至273.6百萬港元（二零一七年：18.7百萬港元）。銷量大增加64,695公噸或1835.3%至68,220公噸（二零一七年：3,525公噸）。平均每公噸售價下跌1,308港元或24.6%至4,011港元（二零一七年：5,319港元）。

Sales of stainless steel base materials were decreased by HK\$121.7 million, or 64.9% to HK\$65.8 million (2017: HK\$187.5 million). The sales volume was decreased by 25,350 tonnes, or 57.6% to 18,656 tonnes (2017: 44,006 tonnes). The average selling price per tonne was decreased by HK\$736, or 17.3% to HK\$3,524 (2017: HK\$4,260).

不銹鋼基料銷售減少121.7百萬港元或64.9%至65.8百萬港元（二零一七年：187.5百萬港元）。銷量下跌25,350公噸或57.6%至18,656公噸（二零一七年：44,006公噸）。平均每公噸銷售價下跌736港元或17.3%至3,524港元（二零一七年：4,260港元）。

Sales of Ferro-nickel alloy steel ingot and others were increased by HK\$30.7 million or 61.3% to HK\$80.8 million (2017: HK\$50.1 million). The sales volume was increased by 8,166 tonnes or 62.1% to 21,154 tonnes (2017: 13,048 tonnes). The average selling price per tonne was decreased by HK\$20, or 0.5% to HK\$3,821 (2017: HK\$3,841).

鎳鐵合金錠及其他銷售增加30.7百萬港元或61.3%至80.8百萬港元（二零一七年：50.1百萬港元）。銷量增加8,166公噸或62.1%至21,154公噸（二零一七年：13,048公噸）。平均每公噸售價下跌20港元或0.5%至3,821港元（二零一七年：3,841港元）。

Management Discussion and Analysis

管理層討論與分析

Sub-contracting services income to an external customer was decreased by HK\$12.1 million, or 30.2% to HK\$28.0 million (2017: HK\$40.1 million). The service volume was increased by 1,632 tonnes, or 2.5% to 66,937 tonnes (2017: 65,305 tonnes). The average service income per tonne was decreased by HK\$196, or 31.9% to HK\$418 (2017: HK\$614).

Cost of sales

The cost of sales in 2018 was increased by HK\$183.1 million, or 71.1%, to approximately HK\$440.7 million (2017: HK\$257.6 million). The increase in cost of sales was consistent with increase in sales.

Gross profit

The Group's recorded a gross profit amounted to HK\$7.5 million in 2018 (2017: HK\$38.9 million). The gross profit margin in 2018 was 1.7% (2017: 13.1%). The gross profit margin fluctuated mainly caused by the market price changed on different product mix during the year.

Other gains, net

The gain of HK\$26.6 million (2017: gains of HK\$42.4 million) in 2018 was mainly composed of government subsidy received from PRC local government and write off of other payables. The gain in 2017 was mainly composed of gain on deconsolidation of subsidiaries.

Selling and distribution expenses

Selling and distribution expenses in 2018 were increased by HK\$0.1 million, or 6.4%, to HK\$2.4 million (2017: HK\$2.3million), representing 0.5% of turnover (2017: 0.8%).

Administrative expenses

Administrative expenses in 2018 were decreased by HK\$19.6 million, or 9.2%, to HK\$194.7 million (2017: HK\$214.3 million). The decrease in administrative expense was mainly due to implementing cost control measures.

Finance costs

Finance costs in 2018 were decreased by HK\$2.7 million, or 0.8%, to HK\$341.2 million (2017: HK\$343.9 million). Decrease in finance cost was mainly due to repayment of certain loans with higher interest rate during the year.

向一名外部客戶提供鋼鐵製品加工服務之收入減少12.1百萬港元或30.2%至28.0百萬港元（二零一七年：40.1百萬港元）。服務量增加1,632公噸或2.5%至66,937公噸（二零一七年：65,305公噸）。平均每公噸服務收入減少196港元或31.9%至418港元（二零一七年：614港元）。

銷售成本

二零一八年的銷售成本增加183.1百萬港元或71.1%至約440.7百萬港元（二零一七年：257.6百萬港元）。銷售成本增加與銷售增加一致。

毛利

本集團於二零一八年錄得毛利7.5百萬港元（二零一七年：38.9百萬港元）。二零一八年的毛利率為1.7%（二零一七年：13.1%）。毛利率波動主要由於年內不同產品組合之市價變動所致。

其他盈利淨額

二零一八年的盈利26.6百萬港元（二零一七年：盈利42.4百萬港元）主要包括收到中國地方政府的補貼及撇銷其他應付款項。二零一七年的盈利主要包括附屬公司終止綜合入賬的盈利。

銷售及分銷開支

二零一八年的銷售及分銷開支增加0.1百萬港元或6.4%至2.4百萬港元（二零一七年：2.3百萬港元），佔營業額的0.5%（二零一七年：0.8%）。

行政開支

二零一八年的行政開支減少19.6百萬港元或9.2%至194.7百萬港元（二零一七年：214.3百萬港元）。行政開支減少乃主要由於實施成本控制措施所致。

融資成本

二零一八年的融資成本減少2.7百萬港元或0.8%至341.2百萬港元（二零一七年：343.9百萬港元）。融資成本減少主要由於年內以更高利率償還若干貸款所致。

Management Discussion and Analysis

管理層討論與分析

Other expenses

Other expenses were composed of provision for impairment of prepayments and other expenses in 2018 were increased by HK\$0.4 million, or 11.3% to HK\$4.1 million (2017: HK\$3.7 million).

Loss before income tax

As a result of the factors discussed above, the loss before income tax for the year ended 31 December 2018 was HK\$509.0 million (2017: HK\$472.7 million). The Group's loss before income tax margin was 113.6% (2017: 159.5%). The loss before interest, tax, depreciation and amortisation (LBITDA) margin was 21.6% (2017: 17.6%).

Income tax expense

The applicable Hong Kong profits tax rate of the Company and its subsidiaries which operate in Hong Kong is 16.5% based on existing legislation. The entities within the Group which operate in the PRC are subject to corporate income tax at rate of 25% for the year ended 31 December 2018.

Loss for the year and loss attributable to shareholders

As a result of the factors discussed above, the Group's 2018 loss for the year was HK\$509.0 million (2017: HK\$472.7 million) and the 2018 loss attributable to owners of the Company was HK\$509.0 million (2017: HK\$472.4 million).

Key financial ratios

其他開支

其他開支包括預付款項減值撥備，二零一八年的其他開支增加0.4百萬港元或11.3%至4.1百萬港元（二零一七年：3.7百萬港元）。

除所得稅前虧損

基於以上所討論之因素，截至二零一八年十二月三十一日止年度的除所得稅前虧損為509.0百萬港元（二零一七年：472.7百萬港元）。本集團除所得稅前虧損率為113.6%（二零一七年：159.5%）。除利息、稅項、折舊及攤銷前之虧損(LBITDA)率為21.6%（二零一七年：17.6%）。

所得稅開支

根據現行法例，本公司及其於香港經營之附屬公司適用香港利得稅稅率為16.5%。截至二零一八年十二月三十一日止年度，本集團於中國經營之實體須按25%之稅率繳納企業所得稅。

年度虧損及股東應佔虧損

基於以上所討論之因素，本集團於二零一八年之年度虧損為509.0百萬港元（二零一七年：472.7百萬港元）及本公司擁有人應佔二零一八年虧損為509.0百萬港元（二零一七年：472.4百萬港元）。

主要財務比率

		For the year ended 31 December		
		截至十二月三十一日止年度		
		Notes	2018	2017
		附註	二零一八年	二零一七年
Current ratio	流動比率	1	9%	9%
Inventory turnover days	存貨週轉日數	2	153 days 日	254 days 日
Debtor turnover days	應收賬款週轉日數	3	63 days 日	92 days 日
Creditor turnover days	應付賬款週轉日數	4	167 days 日	191 days 日
Interest cover	盈利對利息倍數	5	-0.5 times 倍	-0.4 times 倍
Interest-bearing gearing ratio	計息資本負債比率	6	-207%	-305%
Debt to LBITDA ratio	負債與LBITDA比率	7	-26.4 times 倍	-48.7 times 倍
Net debt/Capital and net debt ratio	淨負債／資本與淨負債比率	8	137%	125%

Management Discussion and Analysis

管理層討論與分析

Note:

1.	Current assets/Current liabilities x 100%	
2.	$\frac{\text{Inventories}}{\text{Cost of sales}} \times 365 \text{ days}$	
3.	$\frac{\text{Trade and notes receivables}}{\text{Turnover}} \times 365 \text{ days}$	
4.	$\frac{\text{Trade and notes payables}}{\text{Cost of sales}} \times 365 \text{ days}$	
5.	$\frac{\text{Loss before interest and tax}}{\text{Net interest expense}}$	
6.	$\frac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{Equity attributable to the owners of the parent}} \times 100\%$	
7.	$\frac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{LBITDA}}$	
8.	$\frac{\text{Net debt}^*}{\text{Capital and net debt}} \times 100\%$	

* Net debt included bank and other borrowings, convertible bonds (the liability component), trade and notes payables and other payables and accruals less cash and cash equivalents and pledged time deposits.

附註：

1.	流動資產／流動負債 x 100%	
2.	$\frac{\text{存貨}}{\text{銷售成本}} \times 365 \text{ 日}$	
3.	$\frac{\text{應收賬款及應收票據}}{\text{營業額}} \times 365 \text{ 日}$	
4.	$\frac{\text{應付賬款及應付票據}}{\text{銷售成本}} \times 365 \text{ 日}$	
5.	$\frac{\text{除利息及稅項前虧損}}{\text{利息開支淨額}}$	
6.	$\frac{\text{計息貸款及其他借貸 (包括可換股債券)}}{\text{母公司擁有人應佔權益}} \times 100\%$	
7.	$\frac{\text{計息貸款及其他借貸 (包括可換股債券)}}{\text{LBITDA}}$	
8.	$\frac{\text{負債淨額}^*}{\text{股本及負債淨額}} \times 100\%$	

* 負債淨額包括銀行貸款及其他借貸、可換股債券（負債部分）、應付賬款及應付票據及其他應付款項及應計負債扣減現金及現金等值物及已抵押定期存款。

Property, plant and equipment

Property, plant and equipment as at 31 December 2018 mainly comprised plant and machinery. The decrease in balance by HK\$33.4 million or 7.8% to HK\$395.5 million (2017: HK\$428.9 million) was mainly attributable by the depreciation charges for the year.

Intangible asset

The intangible asset solely represents the unamortised amount of the EOA from Yiwan secured by the Group in May 2007.

Inventories

The inventory turnover days were decreased from 254 days in 2017 to 153 days in 2018. As at 31 December 2018, inventories balance was increased by HK\$5.3 million, or 2.9%, to HK\$184.7 million (2017: HK\$179.4 million). Increase in inventory balance was mainly due to increment of sales activities.

Trade receivables

The debtor turnover days were decreased from 92 days in 2017 to 63 days in 2018. As at 31 December 2018, trade receivables balances were increased by HK\$2.1 million, or 2.8%, to HK\$77.0 million (2017: HK\$74.9 million) mainly due to increase in sales in the fourth quarter of year 2018.

物業、廠房及設備

於二零一八年十二月三十一日之物業、廠房及設備主要包括廠房及機器。有關結餘減少33.4百萬港元或7.8%至395.5百萬港元（二零一七年：428.9百萬港元）乃主要歸因於年內折舊費用。

無形資產

無形資產僅指本集團於二零零七年五月獲得之Yiwan獨家採購協議之未攤銷款項。

存貨

存貨週轉日數由二零一七年之254日減少至二零一八年之153日。於二零一八年十二月三十一日，存貨結餘增加5.3百萬港元或2.9%至184.7百萬港元（二零一七年：179.4百萬港元）。存貨結餘增加主要歸因於銷售活動增加所致。

應收賬款

應收賬款週轉日數由二零一七年之92日減少至二零一八年之63日。於二零一八年十二月三十一日，應收賬款結餘增加2.1百萬港元或2.8%至77.0百萬港元（二零一七年：74.9百萬港元），主要歸因於二零一八年第四季度銷售增加。

Management Discussion and Analysis

管理層討論與分析

Prepayments, deposits and other receivables

As at 31 December 2018 prepayments, deposits and other receivables balance was increased by HK\$27.2 million, or 24.2%, to HK\$139.2 million (2017: HK\$112.0 million). The increase in balance was mainly due to increase in payments to other suppliers.

Cash and cash equivalents and pledged time deposits

The aggregate amount of cash and cash equivalents and pledged time deposits was decreased by approximately HK\$15.8 million, or 78.7%, to HK\$4.3 million as at 31 December 2018 (2017: HK\$20.1 million).

Trade and notes payables

The creditor turnover days was decreased from 191 days in 2017 to 167 days in 2018. As at 31 December 2018, trade and notes payables balance was increased by HK\$67.3 million, or 50.0%, to HK\$201.7 million (2017: HK\$134.4 million). The increase in trade and notes payables balance was mainly due to increased purchase in the fourth quarter of year 2018. The trade payables are unsecured, interest-free and are normally settled on terms of 60 to 180 days while the bank bills are generally on terms of 90 to 180 days.

Convertible bonds

There was no conversion or repayment of the convertible bonds during the year.

Bank and other borrowings

As at 31 December 2018, total bank and other borrowings balance was increased by HK\$22.3 million, or 0.9%, to HK\$2,516.1 million (2017: HK\$2,493.8 million). Increase in the bank and other borrowings was mainly due to new financing granted to the Group during the year.

Liquidity, going concern and capital resources

During the year ended 31 December 2018, the Group incurred a loss of approximately HK\$509.0 million and had a net operating cash outflow of approximately HK\$49.7 million. As at 31 December 2018, the Group's had a shareholders' deficit of HK\$1,240.2 million and current liabilities exceeded its current assets by HK\$4,172.1 million. Its total bank and other borrowings amounted to HK\$2,562.9 million are overdue or repayable on demand. The cash and cash equivalents of the Group amounted to HK\$4.3 million as at 31 December 2018.

預付款項、按金及其他應收款項

於二零一八年十二月三十一日，預付款項、按金及其他應收款項結餘增加27.2百萬港元或24.2%至139.2百萬港元（二零一七年：112.0百萬港元）。結餘增加主要歸因於向其他供應商作出之付款增加。

現金及現金等值物以及已抵押定期存款

於二零一八年十二月三十一日之現金及現金等值物以及已抵押定期存款總額減少約15.8百萬港元或78.7%至4.3百萬港元（二零一七年：20.1百萬港元）。

應付賬款及應付票據

應付賬款週轉日數由二零一七年之191日減少至二零一八年之167日。於二零一八年十二月三十一日，應付賬款及應付票據結餘增加67.3百萬港元或50.0%至201.7百萬港元（二零一七年：134.4百萬港元）。應付賬款及應付票據結餘增加乃由於二零一八年第四季採購額增加所致。應付賬款為無抵押、免息及一般附有60至180天還款期，銀行票據的一般還款期為90至180天。

可換股債券

年內概無可換股債券之轉換或償還。

銀行貸款及其他借貸

於二零一八年十二月三十一日，總銀行貸款及其他借貸結餘增加22.3百萬港元或0.9%至2,516.1百萬港元（二零一七年：2,493.8百萬港元）。銀行貸款及其他借貸增加主要由於年內本集團獲授予新融資所致。

流動資金、持續經營及資本資源

截至二零一八年十二月三十一日止年度，本集團產生約509.0百萬港元虧損，並有經營現金流出淨額約49.7百萬港元。於二零一八年十二月三十一日，本集團有股東虧絀1,240.2百萬港元及流動負債超出其流動資產4,172.1百萬港元。其總銀行貸款及其他借貸2,562.9百萬港元已逾期或須按要求償還。本集團於二零一八年十二月三十一日的現金及現金等值物為4.3百萬港元。

Management Discussion and Analysis

管理層討論與分析

Following the Export Ban which has substantially affected the cash generating ability from operations of the Group, a series of remedial measures to mitigate the liquidity pressure were taken in 2018 to improve its financial and liquidity position of the Group, details of which are set out in the section headed “Going Concern and Mitigation Measures” under the Corporate Governance Report of this annual report. Please also refer to the details regarding uncertainties on the going concern of the Group as stipulated in the section headed “Going concern” in Note 2.1(a) to the consolidated financial statements.

The Group’s working capital has been principally sourced from cash generated from operations and from long-term and short-term borrowings.

As at 31 December 2018, the Group had current liabilities of HK\$4,577.3 million, of which HK\$2,516.1 million were bank and other borrowings repayable within one year, overdue or due for immediate repayment and HK\$1,804.3 million were other payables and accruals.

Interest rate risk

The Group’s bank borrowings mainly bear floating rates. The Group has implemented certain interest rate management which includes, among the others, closely monitoring of interest rate movements and refinancing on existing banking facilities or entering into new banking facilities when good pricing opportunities arise.

Foreign currency risk

The Group’s purchase and sales for the year are mainly denominated in Renminbi (“RMB”). As at 31 December 2018, the bonds were denominated in Hong Kong dollar (“HK\$”) while bank and other borrowings were mainly denominated in RMB, and other assets and liabilities of the Group are mainly denominated in RMB.

As at 31 December 2018, the Group did not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the Directors considered the Group had no significant foreign currency risk. However, the Group will closely monitor the foreign currency risk and consider using necessary financial instruments for hedging purposes if they foresee the foreign currency risk is significant.

Material acquisitions and disposals of investments

The Group did not undertake any material acquisitions or disposals of investments during the year under review.

發生出口禁運之後，本集團經營產生現金能力已大受影響，本集團於二零一八年採取一系列減輕流動資金壓力之補救措施，以改善本集團的財務及流動資金狀況，有關詳情載於本年報之企業管治報告項下「持續經營及改善措施」一節。有關本集團持續經營涉及的不明朗因素詳情，另請參閱綜合財務報表附註2.1(a)「持續經營」一節。

本集團之營運資金主要來自經營活動之所得現金以及長期及短期借貸。

於二零一八年十二月三十一日，本集團之流動負債為4,577.3百萬港元，其中2,516.1百萬港元為須於一年內償還已逾期或須即時償還之銀行貸款及其他借貸，而1,804.3百萬港元乃為其他應付款項及應計款項。

利率風險

本集團的銀行借貸主要按浮動利率計算。本集團已實施若干利率管理措施，包括（其中包括），密切留意利率波動及為現有銀行融通進行再融資或在良好的定價機會出現時訂立新的銀行融通。

外匯風險

年內，本集團之買賣主要以人民幣（「人民幣」）計值。於二零一八年十二月三十一日，債券以港元（「港元」）計值，而銀行及其他借貸則主要以人民幣計值，以及本集團其他資產及負債主要以人民幣計值。

於二零一八年十二月三十一日，由於董事認為本集團並無重大外匯風險，故本集團並沒有為管理潛在外匯波動而進行任何對沖交易。然而，本集團將密切監控外匯風險，並在預見重大外匯風險時考慮利用必要的金融工具進行對沖。

重大收購及出售投資

本集團於回顧年度並無進行重大收購或出售投資。

Management Discussion and Analysis

管理層討論與分析

ENVIRONMENTAL ISSUES

The Board believes that a sound environmental, social and governance (“ESG”) structure is vital for continued sustainable development of the Group. Meanwhile, the Group wishes to enhance its transparency to achieve and uplift the sense of environmental protection and social caring amongst various stakeholders. The Group encourages employees, customers, business partners and other stakeholders to boost their ESG concerns in this sustainable development journey.

The Group strives to promote the overall standard of domestic environmental protection and contribute to its green sustainable development in order to meet the changing needs of an advancing society. During the year, designated staff are assigned to enforce and supervise the implementation of relevant ESG policies.

An ESG report is being prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules and Guidance Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and will be published on the Company’s and the Stock Exchange’s websites. This ESG report is designed to allow the public to have a more comprehensive and profound understanding of the Group’s performance on environmental protection and corporate social responsibility.

環境問題

董事會相信，穩健之環境、社會及管治（「環境、社會及管治」）架構對本集團之可持續發展至關重要。同時，本集團亦希望增加透明度，以達致及提升各利益攸關者之環保及社會關懷意識。本集團鼓勵員工、客戶、業務合夥人及其他利益攸關者在可持續發展中加強對環境、社會及管治的關心。

本集團致力於提升國內環境保護的整體標準及推動綠色可持續發展，以滿足社會發展中不斷轉變的需要。年內，本集團委派特定員工執行有關環境、社會及管治政策和監督其施行情況。

本集團正在根據香港聯合交易所有限公司證券上市規則附錄27環境、社會及管治報告指引編製環境、社會及管治報告，並將刊載於本公司及聯交所網站。環境、社會及管治報告旨在讓公眾更全面深入地瞭解本集團在環保及企業社會責任方面的表現。

The Resumption Proposal

復牌建議

DECISION OF THE LISTING (REVIEW) COMMITTEE

Following the Review Hearing held on 5 December 2017, the Listing (Review) Committee informed the Company by a letter dated 12 December 2017 (the “LRC Decision Letter”) that it decided to set aside the cancellation of the Company’s listing status to enable the Company to proceed with implementing the Resumption Proposal. This decision is subject to compliance with the following conditions to the satisfaction of the Listing Department:

- (a) submit (i) a letter addressing to the Company from the Company’s auditors explaining the impairment assessment of certain intangible assets of the Company for the years 2014 to 2016; and (ii) a written commentary from the Company incorporating the views of its auditors on any material audit qualifications on the Company’s next audited consolidated financial statements and any material impairment of the Company’s intangible assets should the Resumption Proposal be implemented as planned; to the Listing Department within 3 months from the date of the LRC Decision Letter (i.e. 12 March 2018);
- (b) the transactions and arrangements contemplated under the Resumption Proposal shall be supported by signed and legally binding agreements within 6 months from the date of the LRC Decision Letter (i.e. 12 June 2018) and evidence thereof be provided to the Listing Department by way of certified copies of all such agreements;
- (c) a circular to the shareholders (in substantially final form) regarding the implementation of the Resumption Proposal shall be submitted to the Listing Department and, in relation to Takeovers Code matters, the Securities and Futures Commission for clearance within 6 months from the date of the LRC Decision letter (i.e. 12 June 2018) and shall be in form and content satisfactory to the Listing Department both in relation to the implementation of the Resumption Proposal itself and that the Company would be able to comply with Rule 13.24 of the Listing Rules and meet all resumption of trading conditions previously identified by the Listing Department to the Company;

上市（覆核）委員會的決定

於二零一七年十二月五日舉行覆核聆訊後，上市（覆核）委員會以日期為二零一七年十二月十二日之信件（「上市（覆核）委員會決定信件」）通知本公司，上市（覆核）委員會決定擱置取消本公司上市地位，以使本公司能繼續實踐復牌建議書。此決定須先符合下列條件致使上市部滿意：

- (a) 於上市（覆核）委員會決定信件日期起三個月內（即二零一八年三月十二日）向上市部提交(i)由本公司審計師發給本公司的信函，解釋二零一四年至二零一六年期間對本公司若干無形資產之減值評估；及(ii)由本公司發出包含其審計師意見的書面評注，列出如按計劃實踐復牌建議書後，本公司下一份經審核綜合財務報表會有任何重大審計保留意見，及本公司的無形資產會有任何重大減值；
- (b) 於上市（覆核）委員會決定信件日期起六個月內（即二零一八年六月十二日）以簽署具法律約束力的協議證明復牌建議書項下擬進行之交易及安排，並以向上市部提供所有該等協議的認證副本的方式作為相關的憑證；
- (c) 於上市（覆核）委員會決定信件日期起六個月內（即二零一八年六月十二日）把就落實執行復牌建議書致股東之通函（以大致最終形式）提交上市部以及（就與收購守則相關的事項）證券及期貨事務監察委員會審批，而通函的形式及內容必須讓上市部信納復牌建議書將會落實，以及讓其信納本公司將可符合上市規則第13.24條及滿足上市部較早前發給本公司的復牌條件；

The Resumption Proposal

復牌建議

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| <p>(d) the documents necessary for the scheme of arrangement of the Company shall be formalised within 6 months from the date of the LRC Decision Letter (i.e. 12 June 2018);</p> <p>(e) the implementation of the Resumption Proposal shall be completed by 30 September 2018, should the Resumption Proposal be approved by the Company's shareholders; and</p> <p>(f) the Company shall report to the Listing Department on a 3-month basis, reporting on the progress of the implementation of the Resumption Proposal.</p> | <p>(d) 於上市(覆核)委員會決定信件日期起六個月內(即二零一八年六月十二日)本公司正式具備債務安排所需之文件;</p> <p>(e) 倘本公司股東批准復牌建議書,須於二零一八年九月三十日前完成落實執行復牌建議書;及</p> <p>(f) 本公司須每三個月向上市部報告復牌建議書之執行進度。</p> |
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It is also stated in the LRC Decision Letter that should the Company fail to comply with any of the above conditions to the satisfaction of the Listing Department, the listing of the Company's shares on the Stock Exchange will be cancelled.

上市(覆核)委員會決定信件亦提到如本公司未能遵守上述任何條件至上市部滿意,本公司股份將被取消於聯交所上市。

FULFILMENTS OF THE RESUMPTION CONDITIONS

Pursuant to the LRC Decision Letter, details of which are set out in the Company's announcement dated 13 December 2017, the Listing (Review) Committee decided to set aside the cancellation of the Company's listing status to enable the Company to proceed with implementing the Resumption Proposal subject to certain conditions. Since then, the Company has been working closely with its professional advisers in fulfilling the conditions set out in the LRC Decision Letter. According to the timeline, the Company submitted:

滿足復牌條件

根據上市(覆核)委員會決定信件(詳情載於本公司日期為二零一七年十二月十三日之公告),上市(覆核)委員會決定擱置取消本公司上市地位,以使本公司能在若干條件下繼續實踐復牌建議書。自此,本公司一直與其專業顧問緊密合作以滿足上市(覆核)委員會決定信件所載條件。根據時間表,本公司已遞交:

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| <p>(i) a letter addressing to the Company from the Company's auditors explaining the impairment assessment of the intangible assets of the Company for the years 2014 to 2016 and a written commentary from the Company incorporating the views of its auditors on any material audit qualifications on the Company's next audited consolidated financial statements and any material impairment of the Company's intangible assets should the Resumption Proposal be implemented as planned to the Listing Department (i.e. condition (a) in the LRC Decision Letter);</p> | <p>(i) 本公司審計師發給本公司的信函(當中解釋二零一四年至二零一六年期間對本公司無形資產之減值評估;及由本公司發出包含其審計師意見的書面評註,列出如按計劃實踐復牌建議書後,其對本公司下一份經審核綜合財務報表之任何重大審計保留意見,及本公司的無形資產之任何重大減值之意見)予上市部(即上市(覆核)委員會決定信件中條件(a));</p> |
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The Resumption Proposal

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- (ii) certified copies of all the signed and legally binding agreements in relation to the transactions and arrangements contemplated under the Resumption Proposal to the Listing Department (i.e. condition (b) in the LRC Decision Letter);
 - (iii) a draft circular to the regulators regarding the implementation of the Resumption Proposal and the Company's fulfilment of Rule 13.24 of the Listing Rules and all other resumption conditions imposed by the Listing Department (i.e. condition (c) in the LRC Decision Letter);
 - (iv) the Scheme documents to the Hong Kong High Court and the Grand Court of the Cayman Islands for leave to convene the Schemes meetings (i.e. condition (d) in the LRC Decision Letter); and
 - (v) reports dated 12 March 2018 and 12 June 2018 respectively, on the progress of the implementation of the Resumption Proposal to the Listing Department (i.e. condition (f) in the LRC Decision Letter).
- (ii) 復牌建議書項下擬進行之交易及安排的所有已簽署及具法律效力之合同核證本予上市部（即上市（覆核）委員會決定信件中條件(b)）；
 - (iii) 有關實踐復牌建議書及本公司符合上市規則第13.24條及滿足上市部施加之所有其他復牌條件之通函初稿予監管機構（即上市（覆核）委員會決定信件中條件(c)）；
 - (iv) 債務安排計劃文件予香港高等法院及開曼群島大法院以獲准許召開債務安排計劃會議（即上市（覆核）委員會決定信件中條件(d)）；及
 - (v) 日期分別為二零一八年三月十二日及二零一八年六月十二日有關實踐復牌建議書進度之報告予上市部（即上市（覆核）委員會決定信件中條件(f)）。

In June 2018, the Company reviewed its progress of the Resumption Proposal and fulfillments of the Resumption Conditions and believed that the Resumption Proposal would be completed by 30 September 2018 (i.e. condition (e) in the LRC Decision Letter).

於二零一八年六月，本公司檢討其復牌建議及滿足復牌條件之進度，並相信復牌建議將於二零一八年九月三十日前完成（即上市（覆核）委員會決定信件條件(e)）。

DISRUPTION TO THE RESUMPTION PROPOSAL

In stark contrast to the above achievements, the Listing Department issued a letter to the Company stating that the Listing Department recommended the Listing Committee to cancel the Company's listing status. It was followed by the Decision on 3 July 2018 which stated that the Listing Committee was not satisfied that the Company had fully met the conditions set out in the LRC Decision Letter and decided to cancel the Company's listing status under Practice Note 17 to the Listing Rules.

對復牌建議之阻礙

與上述已實踐事項形成鮮明對比的是，上市部向本公司發出之信件指出，上市部建議上市委員會取消本公司之上市地位。其後，二零一八年七月三日的決定指出，上市委員會不滿意本公司已完全達到上市（覆核）委員會決定信件中所列條件，並決定根據上市規則應用指引17取消本公司上市地位。

The Resumption Proposal

復牌建議

The Board strongly disagreed with such Decision and was most concerned whether the Company's case had been assessed fairly, in particular the Company was aware of certain actual, perceived or potential conflict of interest in the composition of the Listing Committee.

More importantly, due to the uncertainty given rise by the Decision, the court convening hearings in relation to the Schemes for the Grand Court of the Cayman Islands and the Hong Kong High Court, which had originally been scheduled for 3 July 2018 and 10 July 2018 respectively, were adjourned. The investors and creditors of the Company are also concerned as to whether the Company will still be able to continue with the implementation of the Resumption Proposal and whether the resumption of the Company will take place and have been reassessing whether to provide the Company with further funding support.

The Decision has indeed caused substantial disruption to the restructuring of the Company and hence adversely affected the financial and operational performance of the Company which was already picking up that time.

LATEST DEVELOPMENT

On 15 October 2018, the Company received a letter from the Listing (Review) Committee stating that the Listing (Review) Committee was not satisfied that the Company had fully met the condition imposed by the Listing (Review) Committee set out in its letter dated 12 December 2017 and therefore decided to uphold the Listing (Review) Committee's decision to cancel the Company's listing under Practice Note 17 to the Listing Rules (the "LRC Decision").

The Company does not understand the reasoning of the LRC Decision and as the concern whether the Company's case has been assessed fairly remains un-resolved. Under Rule 2B.07 of the Listing Rules, the Company referred the LRC Decision to the Listing Appeals Committee for a further and final review. The review hearing of the Listing Appeals Committee (the "LAC Review Hearing") has been scheduled for 5 June 2019.

董事會強烈反對該決定，並非常憂慮本公司之個案是否獲公平評估，尤其本公司知悉上市委員會組成中若干實際、被視作或潛在之利益衝突。

更重要的是，由於該決定產生的不確定性，原定於二零一八年七月三日和二零一八年七月十日分別於開曼群島大法院及香港高等法院開庭之有關計劃聆訊已休會。本公司投資者及債權人亦關注本公司是否仍能繼續實行復牌建議及本公司復牌將進行與否，並已重新評估是否向本公司提供進一步資金援助。

該決定對本公司之重組確實已構成重大阻礙，因此對本公司之財務及營運表現（已於當時有所改善）受到不利影響。

最新發展

於二零一八年十月十五日，本公司收到上市（覆核）委員會的信件，指上市（覆核）委員會並不滿意本公司已完全符合上市（覆核）委員會於日期為二零一七年十二月十二日的信件中所訂條件，故決定支持上市（覆核）委員會根據上市規則應用指引17取消本公司上市地位的決定（「上市（覆核）委員會決定」）。

由於本公司之個案是否獲公平評估之疑慮仍未解決，故本公司並不理解上市（覆核）委員會決定之理由。根據上市規則第2B.07條，本公司已將上市（覆核）委員會決定轉交上市上訴委員會作進一步及最後覆核。上市上訴委員會之覆核聆訊（「上市上訴委員會覆核聆訊」）已訂於二零一九年六月五日進行。

The Resumption Proposal

復牌建議

COMPLIANCE WITH RULE 13.24 OF THE LISTING RULES

Pursuant to Rule 13.24 of the Listing Rules, an issuer shall carry out, directly or indirectly, a sufficient level of operations OR have tangible assets of sufficient value AND/OR intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the issuer's securities. This means that an issuer shall be allowed to continue its listing if it is able to meet any ONE of the above continuous listing requirements.

Despite the disruption to the Resumption Proposal as mentioned in the paragraphs headed "DISRUPTION TO THE RESUMPTION PROPOSAL" as set out on page 36 of this annual report, the Company continued to utilise its existing assets to generate revenue and positive gross profit in 2018. Revenue of the Group for the year ended 31 December 2018 was HK\$448.2 million (2017: HK\$296.4 million). The Group has also recovered from a gross loss in 2015 and recorded gross profit for three consecutive years since 2016.

Tangible assets values of the Group as at 31 December 2018 were approximately HK\$961.4 million (2017: HK\$988.5 million), which mainly consist of fixed assets by way of land and building and plant and machineries for the generation of revenue and gross profit.

The book value of the intangible assets of the Group amounted to approximately HK\$2,384.5 million as at 31 December 2018 (2017: HK\$2,384.5 million), comprising the exclusive offtake right pursuant to which the Group could purchase ores from Indonesia at a fix price. On 11 March 2018 and 8 June 2018, the Company entered into the disposal agreements to disposal in aggregate 14% equity interest in SEAM, the subsidiary which held the exclusive offtake right, at a total consideration of RMB420 million, representing a premium of over 40% to its book value. Although the disposals are yet to be completed, a consideration beyond the book value is already a good enough indicator to justify the value of the intangible assets.

Given the foregoing, the Board considers that the Company has already demonstrated its compliance with Rule 13.24 of the Listing Rules to warrant its continued listing. This position will be enhanced further should the Stock Exchange allow the Group to complete the proposed restructuring, which was previously estopped by the Decision, in the year ending 31 December 2019.

遵守上市規則第13.24條

根據上市規則第13.24條，發行人須有足夠的業務運作（不論由其直接或間接進行），或擁有相當價值的有形資產及／或無形資產（就無形資產而言，發行人須向聯交所證明其潛在價值），其證券才得以繼續上市。這表示發行人倘能夠達成上述繼續上市規則之任何一條，則會被允許繼續上市。

儘管本年報第36頁所載「對復牌建議之阻礙」一段提述之復牌建議阻礙，本公司於二零一八年繼續運用其現有資產產生收益及正面毛利。本集團截至二零一八年十二月三十一日止年度之收益為448.2百萬港元（二零一七年：296.4百萬港元）。本集團亦從二零一五年之毛損扭虧為盈，自二零一六年起連續三年錄得毛利。

本集團於二零一八年十二月三十一日之有形資產值約為961.4百萬港元（二零一七年：988.5百萬港元），其主要包括為產生收益及毛利而以土地及樓宇及廠房及機器持有之固定資產。

本集團於二零一八年十二月三十一日之無形資產約為2,384.5百萬港元（二零一七年：2,384.5百萬港元），包括獨家採購權，據此，本集團可按固定價格於印尼採購礦石。於二零一八年三月十一日及二零一八年六月八日，本公司訂立出售協議以出售南洋礦業（持有獨家採購權之附屬公司）合共14%權益，總代價為人民幣420百萬元，較其賬面值溢價逾40%。儘管出售事項尚未完成，超出賬面值之代價已足夠證明無形資產之價值。

鑒於以上所述，董事會認為本公司已證明其遵守上市規則第13.24條以保證其繼續上市。倘聯交所允許本集團於截至二零一九年十二月三十一日止年度完成建議重組（其先前已被該決定禁止），則此狀況將獲進一步改善。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

DIRECTORS

Executive Directors

Mr. Dong Shutong, aged 67, was appointed as Director of the Company on 16 March 2004 and is currently an Executive Director, the Chairman, the Chief Executive Officer, a member of the Remuneration Committee and the Chairman of the Nomination Committee of the Company. He is responsible for formulating the Group's overall business plans and strategies. Mr. Dong is the founder of the Group. He has been the Director of Yongtong Special Steel, an indirect wholly-owned subsidiary of the Company, and a number of subsidiaries of the Company since 1993. He was involved in the management and day-to-day operations on a full time basis. He served as the vice manager and senior economics and technology consultant of Ministry of Metallurgical Industry Metallurgy News Information Development Company (冶金工業部冶金報社信息開發公司) in 1989. Formerly, the said company was the Ministry's department responsible for news and major reports about the metallurgical industry. Mr. Dong was also appointed as the director of Synthesis Department of the World Metallurgical Products Exhibition in 1990. The said organization was primarily involved in the activities relating to exhibitions of metallurgical products. In 1992, he was appointed as the general manager of Henan Sanen Industry Sci-Tech Industrial Company (河南三恩工業科技實業公司). The said company was primarily involved in research and development of industrial technologies. Between October 1984 and April 2004, the business of refractory materials factory, a factory principally involved in production and management of refractory materials, was contracted out to and managed by Mr. Dong. He was both the plant manager and the sole legal representative of the refractory materials factory from 1984 to 2004. He has also served as a part-time associate professor in the field of economics at Wuhan University of Science and Technology since 2002. He graduated from the Metallurgy Department of Wuhan Iron and Steel College in 1989. He received his Trade and Economics Degree from Graduate School of the Chinese Academy of Social Sciences in 2000 too. During the years from 1985 to 1994, he has been honoured many times by various PRC government authorities for his outstanding achievement in advancement of technology. He has also been awarded the "Award for Achievement in Development of the World Patented Technologies" for his outstanding contribution to the area of patented technologies. In addition, he won a gold medal from Hong Kong Organising Committee of the International Patent Technology Expo for his project of condenser type bicomponent nozzle in 2001, and was named "The World's Outstanding Chinese Entrepreneur" by the World Chinese Entrepreneur Association in 2004. Moreover, he was appointed as a member of Zhengzhou Overseas Exchange Association, and was elected as a joint-committee member as well as the member representative of Zhengzhou Enterprises Association in 2003. In 2004, he was appointed as a representative of the Zhengzhou's Twelfth National People's Congress. Mr. Dong was awarded one of the Hundred Outstanding People of the Year in Industrial Economics by the People of the Year in China's Industrial Economics Award's Organising Committee in April 2005. Mr. Dong also published two books, 《新經濟的背後－精神經濟浮出水面》(What's behind the New Economy – The Emergence of Spiritual Economy) in 2001 and 《精神價值與中國經濟轉型》(Spiritual Value and the Transformation of the Chinese Economy) in 2002.

董事

執行董事

董書通先生，67歲，於二零零四年三月十六日獲委任為本公司董事，現為本公司執行董事、主席、總裁、薪酬委員會成員及提名委員會主席。彼負責制訂本集團之整體業務計劃及策略。董先生為本集團創辦人。彼自一九九三年起擔任本公司間接全資附屬公司永通特鋼及多家附屬公司之董事，一直全職參與該等公司之管理及日常運作。彼於一九八九年擔任冶金工業部冶金報社信息開發公司之副經理及高級經濟技術顧問。該公司前身為冶金工業部負責冶金業之新聞及主要報告之部門。董先生於一九九零年亦獲委任為全國冶金產品博覽會綜合處處長，該組織主要從事與冶金產品展覽有關之活動。於一九九二年，彼獲委任為河南三恩工業科技實業公司之總經理，該公司主要從事工業技術之研發。於一九八四年十月至二零零四年四月期間，耐火廠之業務外包予董先生打理。耐火廠之主要業務為生產及管理耐火材料。彼於一九八四年至二零零四年間為耐火廠廠長兼唯一法定代表。彼自二零零二年起擔任武漢科技大學經濟學範疇之兼任副教授。彼於一九八九年在武漢鋼鐵學院冶金系畢業，亦於二零零零年取得中國社會科學院研究院之貿易及經濟學位。在一九八五年至一九九四年間，董先生在先進技術方面成就非凡，屢獲多個中國政府部門表揚。彼亦因為對有關專利技術之寶貴貢獻而獲得「開發全球專利技術成就獎」，其冷凝器型浸入式水口項目獲二零零一年國際專利技術博覽會之香港籌委會頒發金獎，於二零零四年獲世界華人企業家協會頒發「全球傑出華人企業家獎項」。此外，彼於二零零三年獲委任為鄭州海外交流協會成員及獲選為鄭州企業協會之聯席委員會成員及成員代表。於二零零四年，彼獲委任為鄭州市第十二屆人大代表。董先生於二零零五年四月獲中國工業經濟年度新聞人物徵評活動組織委員會頒發中國工業經濟百名年度傑出人物獎。董先生亦於二零零一年及二零零二年先後編著出版了《新經濟的背後－精神經濟浮出水面》及《精神價值與中國經濟轉型》兩本書籍。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Mr. Dong is the father of Mr. Dong Chengzhe, an Executive Director of the Company. He is also the sole shareholder and sole director of Easyman Assets Management Limited ("Easyman"), and the substantial and controlling shareholder of the Company.

Mr. Dong Chengzhe, aged 40, was appointed as an Executive Director of the Company on 12 March 2007 and was also appointed as Deputy Chief Executive Officer of the Group. He graduated from Wuhan University of Science and Technology with a Diploma in International Trade. He also obtained a Bachelor Degree in Accountancy from Royal Melbourne Institute of Technology and a Master Degree of International Finance from Deakin University in Australia. He joined the Group in 2007 and was responsible the finance and international trading activities of Yongtong Special Steel, an indirectly wholly-owned subsidiary of the Company. He was the general manager of Yongtong Special Steel, an indirectly wholly-owned subsidiary of the Company. Prior to joining the Group, he was an owner of an international trading company in Australia. He is the son of Mr. Dong Shutong, Executive Director, Chairman, Chief Executive Officer and the substantial and controlling shareholder of the Company.

Mr. Wang Ping, aged 63, was appointed as an executive director of the Company on 10 October 2014. Mr. Wang joined the Company as deputy chief executive officer of the Company on 1 September 2014. Mr. Wang graduated from the University of Science and Technology Beijing with a doctor degree in 1991 and possessed certain technology patents related to metallurgy of iron and steel. Mr. Wang possesses over 24 years of experience in metallurgy of iron and steel.

Mr. Wang has held positions in various organisations, including being associate professor and professor of Ministry of Metallurgical Industry and commissioner of scientific research of University of Science and Technology Beijing from 1992 to 2000. From 2000 to 2004, Mr. Wang was the general manager of Zhengzhou Yongtong Special Steel Company Limited, a wholly-owned subsidiary of the Company. From 2004 to 2006, Mr. Wang was the general manager of Shenyang Toyo Steel Company Limited and from 2007 to 2014, as the chief engineer and deputy chief executive officer of the metallurgy division under Hanking Industrial Group Co., Ltd. From 2013 to 2014, Mr. Wang acted as the executive director and chief executive officer of PT. Karyatama Kona Utara, PT. Konutara Prima and PT. Konutara Sejati, companies incorporated in Indonesia and are the subsidiaries of China Hanking Holdings Limited (stock code: 03788) whose shares are listed on the Stock Exchange, and was responsible for their overall management and daily operation.

From 2009 to 2013, Mr. Wang was also an non-executive director of Shandong Molong Petroleum Machinery Company Limited (stock code: 002490 and 0568), which shares are listed on Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited.

董先生為本公司執行董事董鉞喆先生之父。彼亦為Easyman Assets Management Limited (「Easyman」)的唯一股東及唯一董事以及本公司的主要及控股股東。

董鉞喆先生，40歲，於二零零七年三月十二日獲委任為本公司執行董事，並獲委任為本集團副總裁。彼畢業於武漢科技大學，持有國際貿易文憑。彼亦取得澳洲Royal Melbourne Institute of Technology之會計學學士學位及迪肯大學國際金融碩士學位。董先生於二零零七年加入本集團，主要負責本公司間接全資附屬公司永通特鋼之財務及國際貿易活動，彼現為本公司間接全資附屬公司永通特鋼之總經理。加入本集團前，他曾為一間澳洲國際貿易公司之擁有人。彼為本公司執行董事、主席、總裁兼主要及控股股東董書通先生之子。

王平先生，63歲，於二零一四年十月十日獲委任為本公司之執行董事。彼於二零一四年九月一日加入本公司為副總裁。王先生於一九九一年畢業於北京科技大學，獲得博士學位，並擁有多項鋼鐵冶煉方面的技術專利。王先生於鋼鐵冶煉行業積累24年以上的經驗。

王先生曾於多個機構中任職，包括於一九九二年至二零零零年期間在北京科技大學冶金工業部任職副教授及教授以及科研處處長，於二零零零年至二零零四年期間在本公司之全資附屬公司鄭州永通特鋼有限公司擔任總經理一職。王先生於二零零四年至二零零六年期間曾擔任瀋陽東洋製鋼有限公司之總經理，及於二零零七年至二零一四年擔任罕王實業集團有限公司旗下冶金產業之總工程師及副總裁，並於二零一三年至二零一四年成為中國罕王控股有限公司（股份代號：03788）（其股份於聯交所上市）於印度尼西亞成立之三家附屬公司PT. Karyatama Kona Utara、PT. Konutara Prima及PT. Konutara Sejati的執行董事兼總裁，負責該等公司的整體管理與日常營運。

王先生亦於二零零九年至二零一三年期間擔任於深圳證券交易所及香港聯合交易所有限公司上市之山東墨龍石油機械股份有限公司（股票代號：002490及0568）之非執行董事。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Mr. Song Wenzhou, aged 50, was appointed as an Executive Director of the Company on 2 May 2005 and is responsible for the Group's administrative, marketing and staff development matters. Prior to joining the Group in July 1995, he had been a teacher at the Zhengzhou Institute of Technology. He graduated from Beijing Open University in 1987 with a Bachelor Degree in Linguistics and Phonetics. He also received his Bachelor Degree in Chinese Language and Literature from Henan Normal University in 1992 and Bachelor Degree in Legal Studies from Central Broadcast and Television University in 2003. Since joining the Group in 1995 until February 2004, Mr. Song was also responsible for the administrative matters at the refractory materials factory.

Mr. Yang Fei, aged 41, was appointed as an Executive Director of the Company on 30 August 2010 and was also appointed as Authorised Representative of the Company on 1 August 2011. He has joined the Company as the assistant to the Chairman of the Company since 2006 and was also appointed as the Company Secretary and Authorised Representative of the wholly owned subsidiary, Zhengzhou Yongtong Special Steel Co., Ltd. Mr. Yang was the manager of the Information Technology Department (October 2002 to August 2003) and the general manager of the Market Development Department (August 2003 to August 2006) of China Life – CMG Life Assurance Company Limited. Prior to joining China Life – CMG Life Assurance Company Limited, Mr. Yang was the assistant manager of the International Business Department of Guangdong Branch, China Life Insurance Company Limited from August 1998 to June 2001. Mr. Yang graduated with a Bachelor Degree in Economics from Beijing University in June 1998 and a Master of Science Degree in Economics from London School of Economics and Political Science in June 2002.

宋文州先生，50歲，於二零零五年五月二日獲委任為本公司執行董事，負責本集團行政、市場推廣及員工發展事宜。彼於一九九五年七月加入本集團前，曾於鄭州工學院執教。彼於一九八七年在北京自修大學畢業，獲語言學及語音學學士學位。彼亦於一九九二年獲河南師範大學頒授漢語言學士學位，及後於二零零三年獲中央廣播電視大學之法律學士學位。自一九九五年加入本集團至二零零四年二月期間，宋先生亦負責耐火廠的行政事務。

楊飛先生，41歲，於二零一零年八月三十日獲委任為本公司執行董事，並於二零一一年八月一日獲委任為本公司之授權代表。彼自二零零六年起加入本公司，擔任本公司主席助理，並獲委任為本公司全資附屬公司鄭州永通特鋼有限公司之公司秘書及授權代表。楊先生於二零零二年十月至二零零三年八月期間以及二零零三年八月至二零零六年八月期間先後擔任中保康聯人壽保險有限公司信息技術部經理及市場發展部總經理。加入中保康聯人壽保險有限公司前，楊先生於一九九八年八月至二零零一年六月擔任中國人壽保險股份有限公司廣東省分公司國際業務部助理經理。楊先生於一九九八年六月獲北京大學經濟學學士學位，並於二零零二年六月獲倫敦政治經濟學院經濟學理學碩士學位。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Non-executive Director

Mr. Yang Tianjun, aged 75, was appointed as a Non-executive Director of the Company on 2 May 2005. He joined the Group in 2005 and was appointed as a member of Audit Committee on 27 August 2018. Mr. Yang worked in Ministry of Metallurgy Forty Company (冶金部四零公司) and then in Angang Steelwork (鞍鋼煉鋼廠) for a total of 14 years as a technician and then an engineer. He was the Principal of University of Beijing Science and Technology for the period from 1993 to July 2004, and has been a professor and mentor of doctorate students of the Metallurgy Department of University of Beijing Science and Technology until retirement in February 2015. Since 1989, he was honoured with nine first-grade, second-grade or third-grade State Scientific and Technological Progress Awards in both national and provincial levels for his outstanding contributions to the State by conducting scientific researches in metallurgical projects. He was the Chairman of Sino-German Co-operative Research Project studying the multi-purpose uses of niobium. He was invited by the Research Institute of Industrial Science and Technology of Korea to lead the research in air-refined coal spray in blast furnace, and participated in a research with the Metallurgical Research Institute in coal spray in blast furnace and the mathematical model. He published over 70 academic papers locally or overseas and 6 books specialised in metallurgy. He was appointed as the vice chairman of Chinese Society of Metals in 2001 and a member of the Fifth Graduate Committee of the State Council (國務院學位委員會) in 2003.

Mr. Yang graduated in 1965 from the Metallurgical Department of Beijing Iron and Steel College. He completed his postgraduate study in 1981 and obtained a Master Degree in Metallurgy from the Beijing Iron and Steel Institute. In 1985, he was granted scholarship from Humboldt-University zu Berlin and conducted a joint research with the RWTH-Aachen University in Germany, and was awarded a Doctorate Degree in 1986.

Mr. Yang was the independent directors of Xinyu Iron & Steel Group Co., Ltd. (新餘鋼鐵股份有限公司), Gansu Jiu Steel Group Hongxing Iron & Steel Co., Ltd. (甘肅酒鋼集團宏興鋼鐵股份有限公司) and BGRIMM Magnetic Materials and Technology Co., Ltd. (北礦磁材科技股份有限公司). All of these companies are listed on the Shanghai Stock Exchange. Mr. Yang resigned from the position of independent directors of all these companies in December 2015.

非執行董事

楊天鈞先生，75歲，於二零零五年五月二日獲委任為本公司非執行董事。彼於二零零五年加入本集團，並於二零一八年八月二十七日獲委任為審核委員會成員。楊先生先後於冶金部四零公司及鞍鋼煉鋼廠任職技術員及工程師合共達14年。彼由一九九三年起至二零零四年七月擔任北京科技大學校長，並擔任北京科技大學冶金系教授及博士生導師直至二零一五年二月退休。自一九八九年起，楊先生進行之冶金項目科研工作對國家作出寶貴貢獻，故獲得九個全國及省政府之一級、二級或三級國家科學技術進步獎。彼為中德合作研究多用途鉕項目之主席，曾應韓國產業科學研究院(Research Institute of Industrial Science and Technology)之邀請領導高爐富氧噴煤之研究，亦曾參與和Metallurgical Research Institute攜手研究之高爐噴煤及數學模型。彼於國內外發表超過70篇學術論文，出版6本有關冶金學之專著。彼於二零零一年獲委任為中國金屬學會副主席及於二零零三年獲委任為第五屆國務院學位委員會成員。

楊先生於一九六五年在北京鋼鐵學院冶金系畢業，一九八一年完成研究生課程並取得北京鋼鐵學院冶金碩士學位。彼於一九八五年獲柏林洪堡大學獎學金並與德國RWTH-Aachen University進行聯合研究，並於一九八六年獲博士學位。

楊先生為新餘鋼鐵股份有限公司、甘肅酒鋼集團宏興鋼鐵股份有限公司及北礦磁材科技股份有限公司之獨立董事，所有上述公司均於上海證券交易所上市。楊先生於二零一五年十二月辭去上述所有公司的獨立董事職位。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Independent Non-executive Directors

Mr. Bai Baohua, aged 77, was appointed as an Independent Non-executive Director of the Company on 2 May 2005. He is also a member of the Audit Committee and Nomination Committee of the Company. Mr. Bai was appointed as the chairman of Remuneration Committee on 27 August 2018. He has over 40 years' experience in the metallurgy. He worked as an engineer, a manager and then the general manager of China Metallurgical Products' Import & Export Company (中國冶金進出口公司), a company primarily involved in the trading of metals. He was also appointed as the general manager of China International Steel Investment Company (中國國際鋼鐵投資公司), a company primarily involved in promotion of foreign investment in the steel industry in the PRC. In addition, he was the general manager, the vice chairman and the legal representative of China Iron and Steel Industry and Trade Group Corporation, a company primarily involved in production and trade of steel. He graduated from the Metal Pressure Processing Department at Beijing Iron and Steel College in 1965.

Mr. Huang Changhuai, aged 83, was appointed as an Independent Non-executive Director of the Company on 2 May 2005. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He worked for a printing and dyeing mill as production supervisor, a political director and then deputy director. He was appointed the deputy director of the Municipal Economic System Reform Committee of Zhengzhou Municipal Government, and as the director of the Municipal Industrial and Communication Development Committee at the Third Session of the Eighth People's Congress of Zhengzhou City in 1985. He was then appointed at the Twelfth Session of the Eighth People's Congress of Zhengzhou City as the director of the city's Economic Committee in 1986. He was also appointed the deputy director of the Standing Committee of the People's Congress of Zhengzhou City. He graduated in September 1958 from Zhengzhou Textile School. Mr. Huang resigned as an independent Non-executive director, the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee on 27 August 2018.

獨立非執行董事

白葆華先生，77歲，於二零零五年五月二日獲委任為本公司獨立非執行董事。彼亦為本公司審核委員會及提名委員會成員。白先生於二零一八年八月二十七日獲委任為薪酬委員會主席。彼具備逾40年的冶金業經驗，曾任中國冶金進出口公司（該公司主營金屬貿易）的工程師、經理及總經理。彼亦曾獲委任為中國國際鋼鐵投資公司（該公司主要從事促進外國投資於中國鋼鐵業之工作）之總經理。此外，他曾擔任中國鋼鐵行業及貿易集團公司（該公司主營鋼材生產及貿易）之總經理、副董事長及法定代表。彼於一九六五年畢業於北京鋼鐵學院金屬加壓處理系。

黃昌淮先生，83歲，於二零零五年五月二日獲委任為本公司獨立非執行董事。彼亦為本公司薪酬委員會主席，以及審核委員會及提名委員會成員。他曾於一間印刷及染色廠先後擔任生產主任、政治委員及副理事。彼獲鄭州市人民政府委任為市經濟體系改革委員會副主任，及於一九八五年鄭州市第八屆人民代表大會第三次會議獲委任為市工業及通訊發展委員會主任，其後於一九八六年鄭州市第八屆人民代表大會第十二次會議獲委任為市經濟委員會主任。彼亦獲委任為鄭州市人民代表大會常務委員會副主任。彼於一九五八年九月畢業於鄭州紡織學校。黃先生於二零一八年八月二十七日辭任獨立非執行董事、薪酬委員會主席以及審核委員會及提名委員會成員。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Mr. Wong Chi Keung, *FCCA, FCPA, ACMA, ACIS*, aged 64, was appointed as an Independent Non-executive Director of the Company on 2 May 2005. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. He joined the Company in May 2005. Mr. Wong holds a Master Degree in Business Administration from University of Adelaide in Australia. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and CPA Australia. He is also an Associate Member of both the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yueshi Property Company Limited) for over ten years. Mr. Wong has over 40 years of experience in finance, accounting and management.

Mr. Wong is currently an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited, Yuan Heng Gas Holdings Limited and Zhuguang Holdings Group Company Limited, all of which are listed on the Stock Exchange. He was also formerly an independent non-executive director of China Shanshui Cement Group Limited (the Shares of which are listed on the Stock Exchange) from 2 February 2016 to 22 May 2018), an independent non-executive director of ENM Holdings Limited, the shares of which are listed on the Stock Exchange, from 17 June 2010 to 8 June 2017, and independent non-executive director of Heng Xin China Holdings Limited, the shares of which are listed on the Stock Exchange, from 17 October 2016 to 18 September 2017.

黃之強先生*FCCA, FCPA, ACMA, ACIS*，64歲，於二零零五年五月二日獲委任為本公司獨立非執行董事。彼為本公司審核委員會主席以及薪酬委員會及提名委員會成員。彼於二零零五年五月加入本公司。黃先生持有澳洲阿德雷德大學頒發之工商管理碩士學位。彼為香港會計師公會、英國特許公認會計師公會及澳洲會計師公會之資深會員。彼亦為英國特許秘書及行政人員公會及英國特許管理會計師公會之會員。黃先生曾擔任越秀投資有限公司（現稱越秀地產股份有限公司）的執行董事、副總經理、集團財務總監及公司秘書逾十年。黃先生於財務、會計及管理方面積逾40年的經驗。

黃先生現為滙漢控股有限公司、泛海國際集團有限公司、世紀城市國際控股有限公司、華鼎集團控股有限公司、鑫網易商集團有限公司、金鷹商貿集團有限公司、百利保控股有限公司、富豪酒店國際控股有限公司、冠捷科技有限公司、元亨燃氣控股有限公司及珠光控股集團有限公司的獨立非執行董事兼審核委員會成員，而上述公司均為於聯交所上市之公司。彼亦曾由二零一六年二月二日至二零一八年五月二十二日任中國山水水泥集團有限公司（其股份於聯交所上市）之獨立非執行董事；由二零一零年六月十七日至二零一七年六月八日任安寧控股有限公司之獨立非執行董事，其股份於聯交所上市；及由二零一六年十月十七日至二零一七年九月十八日任恒芯中國控股有限公司之獨立非執行董事，其股份於聯交所上市。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Mr. Fahmi Idris, aged 75, was appointed as an Independent Non-executive Director of the Company on 24 August 2010. Mr. Idris graduated with a Degree in Law from University of Padjadjaran in 2010 and a Degree in Economics from University of Indonesia in 1969. He is currently the Commissioner of Maskapai Asuransi Parolamas (an insurance company), PT. Parama Bina Tani (an agrochemical company), PT. Kodel Invesindo Nusa (a trading and investment company), PT. Krama Yudha (an automotive company) and the President Commissioner of PT. Permadani Khatulistiwa Nusantara (a hotel and tourism company), PT. Permadani Propertindo Development (a property company), PT. Tamarindo Nusa Hotel, PT. Permadani Khatulistiwa Dewata (a hotel and tourism company) and PT. Kodel (a trade and investment company). From 1981 to 1987, he was the President Commissioner of PT. Encontrade Pratama Indonesia (an engineering and construction of electrical and mechanical installation company). From 1984 to 1987, he was the Vice President Commissioner of PT. Wahana Muda Indonesia (a construction and engineering firm). From 1986 to 1992, he was the Commissioner of Bank Susila Bhakti. From 1987 to 1990, he was the President of PT. Permadani Teleconsult Pratama. From 1987 to 2004, he was the President Director of PT. Niigata Santana (a diesel engine and injection and moulding machine manufacturing company). From 1991 to 2003, he was the President Commissioner of PT. Bintara Tani Nusantara (a company engages in the plantation of palm oil and cocoa). From 1991 to 1994, he was the Commissioner of PT. Java Indonusa Motors and from 2000 to 2003, he was the President Commissioner of PT. Kodel Margahayu Telindo.

法米先生，75歲，於二零一零年八月二十四日獲委任為本公司獨立非執行董事。法米先生二零一零年於University of Padjadjaran畢業並取得法學學位，一九六九年於印尼大學畢業並取得經濟學學位。彼現為Maskapai Asuransi Parolamas（一間保險公司）、PT. Parama Bina Tani（一間農用化學品公司）、PT. Kodel Invesindo Nusa（一間貿易投資公司）及PT. Krama Yudha（一間汽車公司）的專員及PT. Permadani Khatulistiwa Nusantara（一間酒店及旅遊公司）、PT. Permadani Propertindo Development（一間物業公司）、PT. Tamarindo Nusa Hotel、PT. Permadani Khatulistiwa Dewata（一間酒店及旅遊公司）及PT. Kodel（一間貿易投資公司）的總裁專員。一九八一年至一九八七年，彼出任PT. Encontrade Pratama Indonesia（一間電氣及機械安裝工程建築公司）的總裁專員。一九八四年至一九八七年，彼為PT. Wahana Muda Indonesia（一間建築及工程公司）的副總裁專員。一九八六年至一九九二年，彼為Bank Susila Bhakti的專員。一九八七年至一九九零年，彼出任PT. Permadani Teleconsult Pratama的總裁。一九八七年至二零零四年，彼為PT. Niigata Santana（一間柴油引擎及注塑機製造公司）總裁董事。一九九一年至二零零三年，彼為PT. Bintara Tani Nusantara（一間從事棕油及可可種植的公司）總裁專員。一九九一年至一九九四年，彼為PT. Java Indonusa Motors專員，二零零零年至二零零三年，則為PT. Kodel Margahayu Telindo總裁專員。

Directors, Senior Management and Audit Committee

董事、高級管理層及審核委員會

Mr. Idris is currently a member of the Board of Fund Supporters of Andalas University, Padang, West Sumatera. From 1967 to 1968, he was Member of People's Consultative Assembly of the Republic of Indonesia. From 1987 to 2004, he was a member of Parliament of the Republic of Indonesia. From 1967 to 1968, he was the Treasurer of the Indonesian Chambers of Commerce and Industry. From 1994 to 1998, he was the Vice Chairman of the Supervisory Council Indonesian Chamber of Commerce and Industry. Mr. Idris was the Minister of Manpower of the Republic of Indonesia from 1998 to 1999 and from 2004 to 2005, he was also the Ministry of Industry of the Republic of Indonesia from 2005 to 2009.

COMPANY SECRETARY

Mr. Choi Kwok Keung Sanvic, was appointed as the financial controller and the company secretary of the Company with effect from 3 June 2014. Mr. Choi, aged 51, is a qualified accountant and a fellow member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial and auditing field, and has experience in the position of the financial controller and the company secretary in Hong Kong listed company.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 May 2005 in compliance with Rule 3.21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group. The audit committee consists of three Independent Non-executive Directors, namely Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Yang Tianjun (appointed on 27 August 2018). Mr. Wong Chi Keung was elected chairman of the audit committee.

The audit committee's specific terms of reference were posted on the Company's website.

法米先生現時為西蘇門答臘省巴東市安答拉斯大學Board of Fund Supporters的成員。一九六七年至一九六八年，彼為印度尼西亞共和國人民協商會議的成員。一九八七年至二零零四年，彼為印度尼西亞共和國國會的成員。一九六七年至一九六八年，彼為印度尼西亞工商會財務長。一九九四年至一九九八年，彼為印度尼西亞工商會監督委員會副主席。法米先生於一九九八年至一九九九年及二零零四年至二零零五年擔任印度尼西亞共和國人力部部長，亦於二零零五年至二零零九年擔任印度尼西亞共和國工業部部長。

公司秘書

蔡國強先生於二零一四年六月三日獲委任為本公司之財務總監及公司秘書。蔡先生，51歲，為合資格會計師及香港會計師公會資深會員。蔡先生於財務及審計方面具有豐富經驗，亦曾任職香港上市公司之財務總監及公司秘書。

審核委員會

本公司遵照聯交所證券上市規則（「上市規則」）第3.21條，根據於二零零五年五月二日通過之董事決議案成立審核委員會。審核委員會主要負責審議本集團之財務匯報過程及內部監控程序。審核委員會由三名獨立非執行董事組成，分別為黃之強先生、白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及楊天鈞先生（於二零一八年八月二十七日獲委任），其中黃之強先生獲選為審核委員會主席。

審核委員會之具體職權範圍刊載於本公司網站內。

Report of the Directors

董事會報告書

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and trading of ore. The Group is principally engaged in the manufacturing, sub-contracting and sale of iron and steel products in the PRC and the trading of ore. Details of the principal activities of the subsidiaries are set out in Note 17 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement on pages 8 to 9 of this annual report. Description of the possible risks and uncertainties facing by the Group, the Group's performance during the year and the key financial ratios are set out in the Management Discussion and Analysis on pages 11 to 33 of this annual report.

SEGMENT INFORMATION

The Group's revenue and loss for the year ended 31 December 2018 were primarily derived from the manufacturing, sub-contracting and sale of iron and special steel products to customers. Accordingly, no segmental analysis by business is presented for the year ended 31 December 2018. Geographical information analysis is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 87.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

董事謹此提呈截至二零一八年十二月三十一日止年度董事會報告書連同本集團經審核綜合財務報表。

主要業務

本公司之主要業務為投資控股及礦石貿易。本集團主要於中國從事鐵及鋼製品生產、加工及銷售及礦石貿易業務。附屬公司之主要業務詳情載於綜合財務報表附註17。

業務回顧

本集團於年內的業務回顧及本集團未來業務發展的討論載列於本年報第8至9頁的主席報告書。有關本集團面臨的潛在風險及不確定因素、本集團於年內的表現及主要財務比率載於本年報第11至33頁的管理層討論與分析。

分部資料

本集團截至二零一八年十二月三十一日止年度之收益及虧損主要來自生產、加工向客戶銷售鐵及特鋼製品。因此，並無呈列截至二零一八年十二月三十一日止年度按業務劃分之分部分析。按地區劃分之信息載於綜合財務報表附註5。

業績及股息

本集團截至二零一八年十二月三十一日止年度之業績載於第87頁之綜合收益表。

董事不建議宣派截至二零一八年十二月三十一日止年度之末期股息（二零一七年：無）。

Report of the Directors

董事會報告書

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting (the "AGM") of the Company will be held on Monday, 10 June 2019.

The register of members of the Company will be closed from Tuesday, 4 June 2019 to Monday, 10 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 3 June 2019.

FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is disclosed on page 4 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in Notes 29, 31 and 28 to the consolidated financial statements respectively.

股東週年大會及暫停辦理股份過戶登記手續

本公司將於二零一九年六月十日（星期一）舉行股東週年大會（「股東週年大會」）。

本公司將由二零一九年六月四日（星期二）起至二零一九年六月十日（星期一）止（包括首尾兩天）暫停辦理股份過戶登記手續，期間任何本公司股份過戶將不予登記。為符合資格出席股東週年大會並於會上投票，所有過戶表格連同有關股票最遲須於二零一九年六月三日（星期一）下午四時三十分前將送達本公司之香港股份過戶登記處香港中央證券登記有限公司，地址為香港灣仔皇后大道東183號合和中心17M樓。

財務概要

本集團於過去五個財政年度已公佈之業績、資產、負債及非控股權益概要於本年度報告第4頁披露。

物業、廠房及設備

年內，本集團物業、廠房及設備之變動詳情載於綜合財務報表附註14。

股本、購股權及可換股債券

年內，本公司股本、購股權及可換股債券之變動詳情分別載於綜合財務報表附註29、31及28。

Report of the Directors

董事會報告書

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2018 and up to the latest practicable date prior to the printing of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

EQUITY LINKED AGREEMENTS

Save for convertible bonds and share options granted to directors and employees as disclosed in Notes 28 and 31 respectively to the consolidated financial statements, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 36 to the consolidated financial statements and consolidated statement of changes in equity set out on pages 91 to 92, respectively.

優先購買權

本公司之章程細則或開曼群島法例均無有關優先購買權之條文規定本公司必須按比例向現有股東發售新股。

充足之公眾持股量

本公司於截至二零一八年十二月三十一日止年度全年及直至本年報印刷前的最後實際可行日期保持充足之公眾持股量。

購買、贖回或出售本公司之上市證券

本公司及其任何附屬公司於年內概無購買、贖回或出售本公司任何上市證券。

股權掛鈎協議

除綜合財務報表附註28及31分別披露之可換股債券及授予董事及僱員之購股權外，截至二零一八年十二月三十一日止年度本集團概無訂立或存在任何股權掛鈎協議。

儲備

本公司及本集團於本年度之儲備變動詳情分別載列於綜合財務報表附註36及第91至92頁之綜合權益變動表。

Report of the Directors

董事會報告書

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves, including the share premium account, available for distribution, calculated in accordance with the provisions of Companies Law (2007 Revision) of the Cayman Islands, amounted to HK\$nil.

Under the laws of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For dividend purpose, the amount which the Company's subsidiaries in the PRC can legally be distributed by way of a dividend is determined by reference to their profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These profits differ from those that are reflected in the Group's consolidated financial statements prepared in accordance with IFRS.

可供分派儲備

於二零一八年十二月三十一日，本公司根據開曼群島公司法（二零零七年修訂本）條文計算之可供分派儲備（包括股份溢價賬）為零港元。

根據開曼群島法例，股份溢價賬及實繳盈餘可供分派予本公司股東，惟前提是緊隨建議分派股息當日，本公司將可於正常業務過程中償還到期債項。股份溢價賬亦可以繳足紅股方式分派。

本集團可供分派儲備須視乎本公司附屬公司之可供分派股息而定。就股息而言，本公司中國附屬公司可合法以股息分派之金額，乃經參考其根據中國公認會計原則編製之中國法定財務報表所載之溢利而釐定。該等溢利與本集團根據國際財務報告準則編製之綜合財務報表所載之溢利有所不同。

Report of the Directors

董事會報告書

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers and to the largest customer accounted for 55% and 17% of the total sales for the year respectively. Purchases from the Group's five largest suppliers and from the largest supplier accounted for 34% and 13% of the total purchases for the year respectively.

Apart from the information as disclosed in the paragraphs headed "CONNECTED TRANSACTIONS" and "DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS" in the Report of the Directors, none of the Directors or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest suppliers or customers.

DIRECTORS

The Directors during the year and as at the date of the report were:

Executive Directors

Mr. Dong Shutong (*Chairman and Chief Executive Officer*)

Mr. Dong Chengzhe (*Deputy Chief Executive Officer*)

Mr. Wang Ping (*Deputy Chief Executive Officer*)

Mr. Song Wenzhou

Mr. Yang Fei

Non-executive Director

Mr. Yang Tianjun

Independent Non-executive Directors

Mr. Bai Baohua

Mr. Huang Changhuai (resigned on 27 August 2018)

Mr. Wong Chi Keung

Mr. Fahmi Idris

Pursuant to article 87 of the Company's article of association, Mr. Dong Shutong, Mr. Wang Ping and Mr. Yang Tianjun, will retire as Directors by rotation at the forthcoming annual general meeting of the Company. All retiring Directors, being eligible for re-election, will offer themselves for re-election at the forthcoming annual general meeting. The Company has received annual confirmation of independence from Mr. Bai Baohua, Mr. Wong Chi Keung and Mr. Fahmi Idris and considers them to be independent.

主要客戶及供應商

於回顧年度內，本集團向五大客戶及最大客戶之銷售額分別佔本年度總銷售額之55%及17%。本集團向五大供應商及最大供應商之採購額分別佔本年度總採購額之34%及13%。

除了於董事會報告書中「關連交易」及「董事於交易、安排或合約之權益」兩段所披露之資料外，董事或彼等之任何聯繫人或本公司任何股東（就董事所深知，擁有本公司已發行股本5%以上）概無於本集團五大供應商或客戶中擁有任何實益權益。

董事

於本年度及於本報告日期之董事為：

執行董事

董書通先生（主席兼總裁）

董鉞喆先生（副總裁）

王平先生（副總裁）

宋文州先生

楊飛先生

非執行董事

楊天鈞先生

獨立非執行董事

白葆華先生

黃昌淮先生（二零一八年八月二十七日辭任）

黃之強先生

法米先生

根據本公司章程細則第87條，董書通先生、王平先生及楊天鈞先生須於本公司應屆股東週年大會輪流退任董事職務。所有合資格重選之退任董事均願意於應屆股東週年大會膺選連任。本公司已收到白葆華先生、黃之強先生及法米先生之年度確認書以確認其獨立性，本公司視彼等為獨立人士。

Report of the Directors

董事會報告書

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and Senior Management are set out on pages 39 to 46 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of the Directors is determined by the Remuneration Committee with reference to the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 5 March 2007, SEAM, an indirect wholly owned subsidiary of the Company, entered into the EOA with Yiwan, a limited company incorporated in Indonesia and substantially owned by Mr. Soen Bin Kuan, who at 31 December 2018 and the date of this report holds more than 5% of the issued share capital of the Company. Pursuant to the EOA, Yiwan agreed to exclusively sell and SEAM agreed to buy the iron ores produced by Yiwan at a fixed price of US\$16 per dry tonne, for a minimum 40 million dry tonnes of iron ores throughout a period of approximately 14 years expiring on 24 January 2021, which has subsequently been extended by a supplemental agreement to 24 January 2036. Pursuant to the recommendation letter issued by the Minister of Mineral and Coal on 25 June 2012 to the Minister of Commerce which granted the export approval to Yiwan, the export price of iron ore was changed to US\$23.5 commencing from 1 July 2012. By virtue of the convertible bonds issued by Yiwan to S.E.A. Mining Limited which is indirectly substantially owned by Mr. Dong Shutong, Executive Director and Chairman of the Board, Mr. Dong has an indirect interest in the EOA. Further details of the transaction undertaken in connection therewith are included in Note 16 to the consolidated financial statements.

Save for contracts amongst group companies and the aforementioned transaction and in the paragraph headed "CONNECTED TRANSACTIONS" as set out on page 58 of this annual report, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

董事及高級管理層之簡歷

董事及高級管理層之簡歷詳情載於本年度報告第39至46頁。

董事之服務合約

擬於應屆股東週年大會重選之董事與本公司概無訂立本公司在一年內不可在不予賠償（法定賠償除外）的情況下終止之服務合約。

董事酬金

董事之酬金乃由薪酬委員會經參考董事之職責、責任及表現以及本集團之業績而釐定。

董事於交易、安排或合約之權益

於二零零七年三月五日，本公司間接全資附屬公司南洋礦業與Yiwan（於印尼註冊成立之有限公司，主要由李民權先生擁有，其於二零一八年十二月三十一日及本報告日期持有本公司已發行股本超過5%）訂立獨家採購協議。根據獨家採購協議，Yiwan同意獨家出售而南洋礦業同意購買Yiwan生產之鐵礦石，協定之固定價格為每乾公噸16美元，於二零二一年一月二十四日屆滿之整個約14年期間須購買最少40百萬乾公噸鐵礦石。其後，獨家採購權期限經附加協議延長至二零三六年一月二十四日。根據煤礦務部長於二零一二年六月二十五日向授與Yiwan出口批准的商務部長發出的推薦函件，鐵礦石的出口價自二零一二年七月一日起更改為23.5美元。由於Yiwan發行可換股債券予南洋礦產有限公司，而執行董事兼董事會主席董書通先生為這家公司之間接大股東，故此董先生於獨家採購協議擁有間接權益。有關所進行之其他詳情載於綜合財務報表附註16。

除集團公司間合約及上述交易及本年報第58頁所載「關連交易」一段外，於年底或年內任何時間，概無本公司董事於本公司或其任何附屬公司所訂立的任何其他重大交易、安排及合約中直接或間接擁有重大權益。

Report of the Directors

董事會報告書

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the Directors in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares of the Company as at 31 December 2018:

Name of Directors	Capacity in which interest are held	Number of shares	Approximate percentage to the issued voting shares of the Company 佔本公司已發行的 具投票權股份之 概約百分比
董事姓名	持有權益之身份	股份數目	
Dong Shutong 董書通	Held by controlled corporations (note) 由受控法團持有 (附註)	1,465,898,410	47.47%
Dong Chengzhe 董鉞喆	Beneficial owner 實益擁有人	1,500,000	0.05%

Note: As at 31 December 2018, 1,441,042,410 shares and 24,856,000 shares were held by Easyman and Sino Regent Worldwide Limited ("Sino Regent"), respectively. As the entire issued share capital of each of Easyman and Sino Regent is held by Mr. Dong, Mr. Dong is deemed to be beneficially interested in such Shares by virtue of the SFO.

附註：於二零一八年十二月三十一日，Easyman及Sino Regent Worldwide Limited (「Sino Regent」) 分別持有1,441,042,410股及24,856,000股股份。由於Easyman及Sino Regent各自的全部已發行股本均由董先生所持有，根據證券及期貨條例，董先生被視為於該等股份中擁有實益權益。

董事於股份、相關股份及債權證之權益及淡倉

於二零一八年十二月三十一日，董事於本公司及其相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）之股份、相關股份（就根據股權衍生工具持有的持倉而言）及債權證中，擁有(a)根據證券及期貨條例第XV部第7及第8分部須知會本公司及聯交所之權益及淡倉（包括根據證券及期貨條例之有關條文彼等被當作或視作擁有之權益及淡倉）；或(b)根據證券及期貨條例第352條規定須列入該條例所述登記冊之權益及淡倉；或(c)根據上市規則附錄10所載之上市發行人董事進行證券交易的標準守則（「標準守則」）須知會本公司及聯交所之權益及淡倉如下：

(i) 於二零一八年十二月三十一日於本公司股份之好倉：

Report of the Directors

董事會報告書

(ii) Long positions in the underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 31 December 2018:

(ii) 於二零一八年十二月三十一日於本公司相關股份（就根據股權衍生工具持有的持倉而言）之好倉：

Name of Directors	Capacity in which interest are held	Number of share options (note) 購股權數目（附註）	Approximate percentage to the issued voting shares of the Company 佔本公司已發行的具投票權股份之概約百分比
董事姓名	持有權益之身份		
Dong Shutong 董書通	Held by spouse 由配偶持有	1,500,000	0.05%
Dong Chengzhe 董鉞喆	Beneficial owner 實益擁有人	1,500,000	0.05%
Song Wenzhou 宋文州	Beneficial owner 實益擁有人	1,500,000	0.05%
Yang Fei 楊飛	Beneficial owner 實益擁有人	1,500,000	0.05%

Note: The share options are unlisted equity-settled options granted pursuant to the Company's share option scheme adopted on 2 May 2005 and expired on 2 May 2015. Upon exercise of the share options in accordance with such share option scheme. Shares are issuable to the option holder(s) who exercise(s) the rights.

附註：該等購股權為根據本公司於二零零五年五月二日採納及於二零一五年五月二日屆滿之購股權計劃授出之非上市以權益支付之購股權。根據該購股權計劃行使購股權後，可向行使有關權利的購股權持有人發行股份。

Report of the Directors

董事會報告書

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES (IN RESPECT OF POSITIONS HELD PURSUANT TO EQUITY DERIVATIVES) OF THE COMPANY

As at 31 December 2018, shareholders (other than the interest disclosed above in respect of the Director who is also a substantial shareholder of the Company) who had interests and short positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 31 December 2018:

主要股東於本公司股份及相關股份（就根據股權衍生工具持有的持倉而言）中之權益及淡倉

於二零一八年十二月三十一日，股東（不包括上文披露同時為本公司主要股東之董事所涉權益）於本公司股份及相關股份（就根據股權衍生工具持有的持倉而言）中，擁有根據證券及期貨條例第XV部第2及第3分部之規定已向本公司披露、或記錄於本公司根據證券及期貨條例第336條規定須存置之登記冊內之權益及淡倉如下：

於二零一八年十二月三十一日於本公司股份及相關股份（就根據股權衍生工具持有的持倉而言）之好倉：

Name of Shareholders	Capacity in which interest are held	Number of shares/ underlying shares (in respect of positions held pursuant to equity derivatives) 股份／相關股份 (就根據股權 衍生工具持有的 持倉而言)數目	Approximate percentage to the issued voting shares of the Company 佔本公司已發行的 具投票權股份之 概約百分比
董事姓名	持有權益之身份		
Easyman	Beneficial owner 實益擁有人	1,441,042,410	46.66%
Soen Bin Kuan 李民權	Beneficial owner 實益擁有人	182,734,104	5.92%
Sun Qiaodian (note 1) 孫巧點（附註 1）	Beneficial owner 實益擁有人	1,500,000 (note 2) (附註 2)	0.05%
	Held by spouse 由配偶持有	1,465,898,410	47.47%

Notes:

- Ms. Sun Qiaodian is the spouse of Mr. Dong Shutong, whose interest was disclosed in previous section.
- The share option are unlisted equity-settled options granted pursuant to the Company's share option scheme adopted on 2 May 2005 and expired on 2 May 2015. Upon exercise of the share options in accordance with such share option scheme. Shares are issuable to the option holder(s) who exercise(s) the rights.

附註：

- 孫巧點女士乃董書通先生之配偶，董先生的權益於前一節中披露。
- 該等購股權為根據本公司於二零零五年五月二日採納及於二零一五年五月二日屆滿之購股權計劃授出之非上市以權益支付之購股權。根據該購股權計劃行使購股權後，可向行使有關權利的購股權持有人發行股份。

Report of the Directors

董事會報告書

Save as disclosed above, so far as was known to the Directors, there was no other person who, as at 31 December 2018, had an interest or short position in the shares, underlying shares (in respect of positions held pursuant to equity derivatives) and debentures which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued voting shares of the Company; or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 2 May 2005, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of enabling the Company to recruit and retain high-calibre employees and attract resources that are valuable to the Group and to provide the Company with a means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to such persons who contribute or may bring benefit to the Group. The Share Option Scheme remained in force for a period of 10 years from adoption of such scheme and expired on 2 May 2015.

除上文所披露者外，就董事迄今所知，於二零一八年十二月三十一日，概無其他人士於本公司之股份、相關股份（就根據股權衍生工具持有的持倉而言）或債券證中，擁有根據證券及期貨條例第XV部第2及第3分部須向本公司披露之權益或淡倉，或直接或間接於本公司已發行的具投票權股份中擁有5%或以上的實益權益，或直接或間接擁有附有任何情況下於本集團的任何成員公司的股東大會上投票權利的任何類別股本面值10%或以上權益。

購股權計劃

根據於二零零五年五月二日通過之普通決議案，本公司採納一項購股權計劃（「購股權計劃」），以使本公司能招聘及挽留優秀僱員及將有價值之資源引入本集團，並使本公司能以多種方式獎勵、獎賞、提供薪酬、補償及／或提供福利予為本集團作出貢獻或能為本集團帶來利益之有關人士。該購股權計劃自採納之日起計十年內有效，並於二零一五年五月二日屆滿。

Report of the Directors

董事會報告書

The options granted under the Share Option Scheme have an exercise period of 10 years from the date of acceptance of the options, which is in compliance with the terms of the Share Option Scheme, subject to a vesting schedule of 5 years whereby only 20% of the options is exercisable 12 months after the date of acceptance of the options and an additional 20% of the options shall be exercisable by the grantee in each subsequent year until the last day of the 5-year period after the date of acceptance of the options when 100% of the options become exercisable. Details of movements in the Company's share options during the year are as follows:

根據購股權計劃之條款，根據購股權計劃授出之購股權之行使期由接納購股權當日起計為期十年，惟受五年歸屬時間表所限，據此，僅20%之購股權可於接納購股權當日12個月後行使，而承授人可於每接續之一年行使額外20%購股權，直至購股權獲接納日期後五年期之最後一日方可行使全部購股權。年內本公司購股權之變動詳情如下：

		No. of share options 購股權數目				Price of Company's shares at exercise date of options (note 2) 本公司股份 於購股權 行使日的股價 (附註 2) HK\$ 港元	
		Outstanding as at 1 January 2018 於二零一八年 一月一日 尚未行使	Granted during the period 於期內授出	Exercised during the period 於期內行使	Lapsed during the period 於期內失效	Outstanding as at 31 December 2018 於二零一八年 十二月三十一日 尚未行使	Exercise price of share options (note 1) 購股權之 行使價 (附註 1) HK\$ 港元
Directors	董事						
Mr. Dong Chengzhe	董誠喆先生	1,500,000	-	-	-	1,500,000	0.63 N/A不適用
Mr. Song Wenzhou	宋文州先生	1,500,000	-	-	-	1,500,000	0.63 N/A不適用
Mr. Yang Fei	楊飛先生	1,500,000	-	-	-	1,500,000	0.63 N/A不適用
Sub-total for number of share options to Directors	授予董事之購股權 數目小計	4,500,000	-	-	-	4,500,000	-
Employees and others	僱員及其他人士						
		6,585,000	-	-	(6,585,000)	-	2.45 N/A不適用
		22,300,000	-	-	-	22,300,000	0.63 N/A不適用
Sub-total for number of share options to other employees	授予其他僱員之 購股權數目小計	28,885,000	-	-	(6,585,000)	22,300,000	
Total	總計	33,385,000	-	-	(6,585,000)	26,800,000	

Notes:

- The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- The price of the shares of the Company as at the date of exercise of the share options is the Stock Exchange's closing price on the trading date immediately prior to the date on which the share options were exercised.

附註：

- 購股權之行使價可能因供股或紅股發行或本公司股本之其他類似變動而調整。
- 本公司於購股權行使日期之股價為緊接購股權行使日期前之交易日之聯交所收市價。

Report of the Directors

董事會報告書

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Share Option Scheme as set out in Note 31 to the consolidated financial statements, at no time during the year ended 31 December 2018 was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS

Pursuant to the extraordinary general meetings of the Company held on 28 January 2010 and 22 June 2012, the Company's independent shareholders approved the continuing connected transactions in relation to the exclusive ores purchase from Yiwang. According to the EOA and supplemental agreements entered into between Yiwang and SEAM in connection with the purchasing of ore, Yiwang agreed to supply ore to the Group until 24 January 2036. According to the EOA and supplemental agreements, the prices for these continuing connected transactions would be US\$16 per dry tonne and subsequently adjusted to the new export price ("New Export Price") pursuant to the recommendation letter issued by the Minister of Mineral and Coal on 25 June 2012 to the Minister of Commerce of Indonesia. Pursuant to the terms of the EOA, SEAM and Yiwang may agree to alter the purchase price if being directed by the relevant governmental authorities. Since the New Export Price is a price directed by the relevant governmental authorities of Indonesia, SEAM and Yiwang have agreed to adopt the New Export Price as the ore purchase price commencing from 1 July 2012 under the EOA. These transactions will be entered into in usual and ordinary course of business of the Group and the annual cap for these transactions for the years ended 31 December 2012, 2013 and 2014 will not exceed HK\$998.4 million, HK\$1,248 million and HK\$1,248 million, respectively. After the Export Ban, the Group did not purchase any ore from Yiwang during the year ended 31 December 2018.

Save as disclosed in this annual report, none of the related party transactions constitutes a continuing connected transactions or connected transaction as defined under the Listing Rules.

董事收購股份或債權證之權利

除綜合財務報表附註31所載的購股權計劃一段中所披露者外，於截至二零一八年十二月三十一日止年度內任何時間，本公司、其控股公司或其任何附屬公司及同系附屬公司並無訂立任何安排，使董事可藉收購本公司或任何其他法團公司之股份或債權證而獲利。

關連交易

根據本公司於二零一零年一月二十八日及二零一二年六月二十二日舉行之股東特別大會，本公司獨立股東批准有關向Yiwang獨家採購礦石之持續關連交易。根據Yiwang與南洋礦業所訂立有關採購礦石之獨家採購協議及附加協議，Yiwang同意供應礦石予本集團直至二零三六年一月二十四日。根據獨家採購協議及附加協議，該等持續關連交易之價格將為每乾公噸16美元，其後並根據煤礦務部長於二零一二年六月二十五日向商務部長發出的推薦函件調整至新出口價（「新出口價」）。根據獨家採購協議之條款，南洋礦業Yiwang可按有關政府當局指示更改採購價。由於新出口價為印尼有關政府當局指定的價格，南洋礦業與Yiwang已同意於二零一二年七月一日開始採納新出口價作為獨家採購協議下的礦石採購價。該等交易將於本集團之日常及一般業務過程中訂立，而該等交易於截至二零一二年、二零一三年及二零一四年十二月三十一日止年度之年度上限分別不超過998.4百萬港元、1,248百萬港元及1,248百萬港元。出口禁運實施後，本集團於截至二零一八年十二月三十一日止年度並無向Yiwang購買任何礦石。

除本年報所披露者外，概無關連方交易構成上市規則項下所界定的持續關連交易或關連交易。

Report of the Directors

董事會報告書

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year, none of the Directors had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising from corporate activities. The permitted indemnity provision is in force for the benefit of the Directors and officers throughout the year and remained in force up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee pursuant to a resolution of the Directors passed on 2 May 2005 in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and internal control procedures of the Group.

The audit committee consists of Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Yang Tianjun (appointed on 27 August 2018) – Independent Non-executive Directors of the Company and Mr. Wong Chi Keung is the Chairman of the audit committee.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the financial statements for the year ended 31 December 2018.

REMUNERATION COMMITTEE

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 10 April 2006 in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing rules ("CG Code").

The remuneration committee consists of Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) – Independent Non-executive Directors of the Company and Mr. Dong Shutong – Executive Director of the Company. Mr. Huang Changhuai (resigned on 27 August 2018) and Bai Baohua (appointed on 27 August 2018) are the chairmen of the remuneration committee.

董事於競爭業務之權益

年內，概無董事直接或間接於與本集團業務競爭或可能競爭之業務中擁有任何權益。

獲准許彌償條文

本公司已就其董事及高級職員可能面對因企業活動產生之法律訴訟，就董事及高級職員之責任作出適當之保險安排。以董事及高級職員為受益人之獲准許彌償條文已於年內實施並於直至本報告日期仍然生效。

審核委員會

本公司遵照上市規則第3.21條，根據於二零零五年五月二日通過之董事決議案成立審核委員會。審核委員會主要負責審議本集團之財務匯報過程及內部監控程序。

審核委員會由本公司獨立非執行董事黃之強先生、白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及楊天鈞先生（於二零一八年八月二十七日獲委任）組成，其中黃之強先生為審核委員會主席。

審核委員會已與管理層審閱本集團所採納之會計準則及慣例，並討論核數、內部監控及財務匯報事項，包括審閱截至二零一八年十二月三十一日止年度之財務報表。

薪酬委員會

本公司遵照上市規則附錄14所載企業管治守則（「企業管治守則」），根據於二零零六年四月十日通過之董事決議案成立薪酬委員會。

薪酬委員會由本公司獨立非執行董事黃之強先生、白葆華先生及黃昌淮先生（於二零一八年八月二十七日辭任）以及本公司執行董事董書通先生組成。黃昌淮先生（於二零一八年八月二十七日辭任）及白葆華先生（於二零一八年八月二十七日獲委任）為薪酬委員會之主席。

Report of the Directors

董事會報告書

NOMINATION COMMITTEE

The Company established a nomination committee pursuant to a resolution of the Directors passed on 30 December 2011 in compliance with the CG Code.

The nomination committee consists of Mr. Wong Chi Keung, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) – Independent Non-executive Directors of the Company and Mr. Dong Shutong – Executive Director of the Company. Mr. Dong Shutong is the chairman of the nomination committee.

EMPLOYEES REMUNERATION POLICY

As at 31 December 2018, the Group had approximately 900 employees, of whom 30 were management personnel. The remuneration policy of the Group to reward its employees and Executive Directors is based on their performance, qualifications, competence displayed, market comparable and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, discretionary bonus, other fringe benefits and the Group's contribution to retirement benefits schemes. The remuneration of Executive Directors/senior management are determined by the Remuneration Committee which will review them regularly.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible, offers themselves for re-appointment.

ON BEHALF OF THE BOARD

Dong Shutong
Chairman and Chief Executive Officer

29 March 2019

提名委員會

本公司遵照企業管治守則，根據於二零一一年十二月三十日通過之董事決議案成立提名委員會。

提名委員會由本公司獨立非執行董事黃之強先生、白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及本公司執行董事董書通先生組成，其中董書通先生為提名委員會主席。

僱員薪酬政策

於二零一八年十二月三十一日，本集團約有900名僱員，其中30名為管理層人員。本集團回報僱員及執行董事的薪酬政策乃根據其表現、資歷、所示才能、市場水平及本集團表現而釐定。薪酬待遇一般包括薪金、房屋津貼、酌情花紅、其他額外利益以及本集團對退休福利計劃的供款。執行董事／高級管理人員的薪酬由薪酬委員會釐定及定期檢討。

核數師

本財務報表經由羅兵咸永道會計師事務所審核。羅兵咸永道會計師事務所將退任，並合資格且願意受聘連任。

代表董事會

主席及總裁
董書通

二零一九年三月二十九日

Corporate Governance Report

企業管治報告

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions of the CG Code throughout the year ended 31 December 2018 except for code provisions A.1.1, A.2.1 and A.4.1, details of which are disclosed below. Save for deviation from code provisions A.1.1, A.2.1 and A.4.1, in the opinion of the Board, the Company has been in compliance with the CG Code in all material respects.

THE BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises 9 Directors, including 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors:

Executive Directors

Mr. Dong Shutong (*Chairman and Chief Executive Officer*)
Mr. Dong Chengzhe (*Deputy Chief Executive Officer*)
Mr. Wang Ping (*Deputy Chief Executive Officer*)
Mr. Song Wenzhou
Mr. Yang Fei

Non-executive Director

Mr. Yang Tianjun

Independent Non-executive Directors

Mr. Bai Baohua
Mr. Huang Changhuai (resigned on 27 August 2018)
Mr. Wong Chi Keung
Mr. Fahmi Idris

本公司認同達到高水準企業管治之價值及重要性，其有助於提升企業表現、透明度及問責程度以獲得股東及公眾的信心。董事會致力遵守企業管治之原則並採納合理之企業管治常規以符合法律及商業標準，其專注的範圍包括內部監控、公平披露及對全體股東負責。

遵守企業管治守則

截至二零一八年十二月三十一日止整個年度，本公司一直應用企業管治守則之原則並遵守企業管治守則之守則條文，惟守則條文第A.1.1、A.2.1及A.4.1條除外，詳情如下。除偏離守則條文第A.1.1、A.2.1及A.4.1條之外，董事會認為，本公司在各重大方面一直遵守企業管治守則。

董事會

董事會全權負責本公司經營業務的整體管理。董事會負責監察本公司所有主要事項，包括制定及批准所有政策事宜、整體策略、內部監控及風險管理系統，以及監督高級管理層的表現。董事就本公司的利益作出客觀的決定。董事會現時共有九名董事，五名為執行董事、一名為非執行董事，三名為獨立非執行董事：

執行董事

董書通先生 (*主席兼總裁*)
董鍼喆先生 (*副總裁*)
王平先生 (*副總裁*)
宋文州先生
楊飛先生

非執行董事

楊天鈞先生

獨立非執行董事

白葆華先生
黃昌淮先生 (於二零一八年八月二十七日辭任)
黃之強先生
法米先生

Corporate Governance Report

企業管治報告

Their biographical details and relationships (some of the Directors are related to each other) are set out in the section entitled “Directors, Senior Management and Audit Committee” in this annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group’s businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees.

Composition and Appointment

As at 31 December 2018, the Board comprises 9 Directors, including 5 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors.

The Company has complied with Rules 3.10 (1) and (2) of the Listing Rules of having three Independent Non-executive Directors and one of the Independent Non-executive Directors possesses the requisite appropriate professional qualifications. The Board confirmed that the independence and eligibility of the Independent Non-executive Directors are in compliance with the relevant requirements of the Listing Rules.

Save that Mr. Dong Shutong and Mr. Dong Chengzhe are father and son, the Directors confirmed that there was no connection amongst the Directors that should be disclosed relating to finance, business, relation or other significant events or relevant matters.

The Board has effectively overseen and monitored the activities of the Company and the decisions were made in the best interests of the Company. During the year, the Board convened a total of 14 meetings, performing its duties in considering, inter alia, discloseable transactions and financial and other matters under the provisions of the articles of association of the Company. If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

董事的簡歷詳情及關係（若干董事與其他董事有關）載於本年度報告「董事、高級管理層及審核委員會」一節。

董事會授予執行董事及高級管理層權力及責任以執行本集團業務之日常營運、業務策略及管理；董事會亦授予董事委員會若干特定的責任。

組成及委任

於二零一八年十二月三十一日，董事會由九名董事組成，包括五名執行董事、一名非執行董事及三名獨立非執行董事。

本公司一直遵守上市規則第3.10(1)及(2)條規定要擁有一名獨立非執行董事，而其中一名獨立非執行董事須具備所需適當專業資格。董事會確認，獨立非執行董事之獨立性及任職資格符合上市規則有關規定。

董事確認，除董書通先生與董鉞喆先生為父子關係外，董事之間概無任何有關財務、業務、關係或其他重大事項或相關事宜之聯繫須予披露。

董事會有效地監察及監控本公司業務，所作決定亦符合本公司最佳利益。年內，董事會共召開14次會議，以履行其考慮（其中包括）本公司之須予披露交易以及章程細則條文所規定之財務及其他事項之職責。倘一名董事於董事會將考慮的交易或建議中有利益衝突，該名人士須申報有關利益並放棄投票。有關事宜會於交易中無重大權益的董事出席的董事會會議上考慮。

Corporate Governance Report

企業管治報告

During the year, 14 Board meetings, 2 of which were regular meetings, were held and the attendance of each Director is set out as follows:

年內，董事會召開14次會議，其中兩次為例會，各董事出席會議之情況載列如下：

Name of Directors	Times of attendance/ No. of meetings held during the tenure of directorship 出席次數／任職董事期間 會議次數	Title 職銜
Dong Shutong 董書通	13/14	Chairman, Executive Director, Chief Executive Officer 主席、執行董事、總裁
Dong Chengzhe 董鉞喆	3/14	Executive Director, Deputy Chief Executive Officer 執行董事、副總裁
Wang Ping 王平	2/14	Executive Director, Deputy Chief Executive Officer 執行董事、副總裁
Song Wenzhou 宋文州	2/14	Executive Director 執行董事
Yang Fei 楊飛	14/14	Executive Director 執行董事
Yang Tianjun 楊天鈞	2/14	Non-executive Director 非執行董事
Bai Baohua 白葆華	3/14	Independent Non-executive Director 獨立非執行董事
Huang Changhuai 黃昌淮	0/8	Independent Non-executive Director (resigned on 27 August 2018) 獨立非執行董事（於二零一八年八月二十七日辭任）
Wong Chi Keung 黃之強	3/14	Independent Non-executive Director 獨立非執行董事
Fahmi Idris 法米	1/14	Independent Non-executive Director 獨立非執行董事

Corporate Governance Report

企業管治報告

Only 2 regular Board meetings were held as the Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. This constitutes a deviation from Code Provision A.1.1.

Under Code Provision A.4.1, Non-executive Directors should be appointed for a specific term. Except for Mr. Fahmi Idris, Independent Non-executive Director, who were appointed for a term of three years, Mr. Yang Tianjun, Non-executive Director, and the remaining Independent Non-executive Directors including Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Wong Chi Keung were not appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, according to the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and the Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this respect is in line with that provided in the Code.

Chairman and Chief Executive

The Executive Director, Mr. Dong Shutong, served as the chairman and chief executive of the Company. The chairman is responsible for overseeing the Company's operations in respect of compliance with both internal rules and statutory requirements, and promoting the corporate governance of the Company. The Company did not appoint another individual to act as the chief executive for the year ended 31 December 2018 and up to the date of this report. This constitutes a deviation from code provision A.2.1. The Board believes that it is in the best interests of the Company and the shareholders as a whole since Mr. Dong Shutong is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board.

Important decision-making and the day-to-day management of the Company are carried out by all of the Executive Directors. Although the roles of the chairman and the chief executive of the Company are not segregated, the functions of the chief executive were carried out by all of the Executive Directors collectively.

The Board considered that the Group's prevailing structures and systems met the code provisions in the CG Code. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

本公司僅舉行兩次董事會例會，原因是本公司並無公佈其季度業績，故此不考慮按需要舉行季度會議。此舉偏離了守則條文第A.1.1條。

根據守則條文第A.4.1條，非執行董事之委任應有特定任期。除獨立非執行董事法米先生任期為三年外，非執行董事楊天鈞先生及其餘獨立非執行董事（包括白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及黃之強先生）均無特定任期。此舉偏離守則條文第A.4.1條。然而，根據本公司之章程細則，於每屆股東週年大會，當時三分之一之董事須輪流退任，而須輪流退任之董事須為上一次重選或委任後任期最長之董事。因此，本公司認為已採取足夠措施確保本公司之企業管治常規在此方面與守則所規定者一致。

主席及首席執行官

執行董事董書通先生乃本公司主席兼首席執行官。主席負責監督本公司營運遵守內部規則以及法定要求，以及加強本公司企業管治。本公司於截至二零一八年十二月三十一日止年度及直至本報告日期並無委任其他人士擔任首席執行官，此舉偏離守則條文第A.2.1條。董事會相信，董書通先生對本集團業務認識深厚及具備所需領導才能領導董事會進行討論，故此舉符合本公司及股東之整體最佳利益。

本公司之重要決策及日常管理由全體執行董事執行。儘管本公司之主席及首席執行官並無分開，但首席執行官之職能由全體執行董事共同執行。

董事會認為本集團之現行架構及體系符合企業管治守則之守則條文。現行常規將定期進行檢討及更新，以遵循企業管治之最新常規。

Corporate Governance Report

企業管治報告

Independent Non-executive Directors

Independent Non-executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. All Independent Non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The Board also considers that Independent Non-executive Directors can provide independent advice on the Company's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Company has received annual confirmations of independence from each of the existing Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

During the year 2018, the Directors have attended seminars and/or conferences and/or forums relating to directors' duties and/or read newspapers, journals and updates relating to the economy, general business or directors' duties etc.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

獨立非執行董事

獨立非執行董事憑藉其獨立判斷於董事會擔當重要角色，其意見對董事會的決定舉足輕重。尤其是獨立非執行董事能為本公司策略、表現及監控事宜帶來公正的觀點。所有獨立非執行董事均擁有豐富的學術、專業及行業知識以及管理經驗，並提供專業意見予董事會。董事會亦認為獨立非執行董事能就本公司之業務策略、業績及管理提供獨立建議，故能顧及股東的所有利益，且本公司及其股東的利益亦能受到保障。

根據上市規則第3.13條，本公司已收到現有每名獨立非執行董事就其獨立性而作出的年度確認函。本公司認為全體獨立非執行董事之獨立性均符合上市規則。

董事之培訓及支援

董事須時刻了解其集體責任。每位新獲委任的董事將收到一份涵蓋本集團業務及上市公司董事之法律及監管責任的就職資料。本集團亦提供簡介會及其他培訓以發展及更新董事的知識及技術。本集團持續提供有關上市規則及其他適用監管規則的最新發展予董事，確保董事遵守有關規則及提高董事對良好企業管治常規的意識。於適當情況下，本集團亦向董事及高級管理層發出通函或指引，確保他們了解最佳企業管治常規。

於二零一八年年度，董事已出席有關董事職責之研討會及／或會議及／或論壇及／或閱讀有關經濟、通用商務或董事職責等的報章、期刊及最新資訊。

董事及高級職員之保險

本公司已就董事及高級職員可能面對的法律行動購買適當之保險。

Corporate Governance Report

企業管治報告

Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors. Having made specific enquiries, the Company has confirmed that all Directors have complied with the requirements set out in the Model Code.

Board Committees

The Board has established audit committee, remuneration committee and nomination committee (collectively “Board Committees”) with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

No corporate governance committee has been established but respective board committees are responsible for performing corporate governance functions set out in the terms of reference in code provision D.3.1 of the CG Code.

Audit Committee

The audit committee comprises three Independent Non-executive Directors, and Mr. Wong Chi Keung serves as the chairman of the audit committee. During the year, the audit committee held 2 meetings on 28 March 2018 and 30 August 2018. Except for Mr. Huang Changhuai and Mr. Yang Tianjun, all other committee members attended the meetings.

During the year, the audit committee had performed the following work:

- (1) reviewed the financial reports for the year ended 31 December 2017 and for the six months ended 30 June 2018;
- (2) reviewed the Group’s internal control system and financial reporting system review performed by an external consultant;
- (3) reviewed the effectiveness of internal control system;
- (4) reviewed the external auditor’s statutory audit plan and engagement letter;
- (5) reviewed the management letter from the external auditor in relation to the audit of the Group for the year ended 31 December 2017;
- (6) reviewed and recommended for approval by the Board the 2018 audit scope and fees; and
- (7) discussed the reappointment of external auditor.

標準守則

本公司已採納上市規則附錄10所載之上市發行人董事進行證券交易之標準守則（「標準守則」），作為董事進行證券交易之守則。經作出具體查詢後，本公司確認全體董事均已遵循標準守則所載之規定。

董事委員會

董事會已成立審核委員會、薪酬委員會及提名委員會（合稱「董事委員會」），各有特定職權範圍。董事委員會之職權範圍載於本公司及聯交所網站內。董事委員會獲提供充足資源以履行其職責；以及遇上合理要求時，可在適合情況下尋求獨立專業意見，有關費用由本公司支付。

本公司並沒有成立企業管治委員會，但個別董事委員會已負責履行根據《企業管治守則》之守則條文D.3.1條所列載的企業管治職能的職權範圍。

審核委員會

審核委員會包括三名獨立非執行董事，由黃之強先生出任審核委員會主席。年內，審核委員會於二零一八年三月二十八日及二零一八年八月三十日舉行兩次會議。除黃昌淮先生及楊天鈞先生外，所有其他委員會成員均有出席該等會議。

年內，審核委員會已完成下列工作：

- (1) 審閱截至二零一七年十二月三十一日止年度及截至二零一八年六月三十日止六個月之財務報告；
- (2) 檢討由外部顧問對本集團的內部控制系統及財務報告系統所出的審閱；
- (3) 檢討內部監控系統之有效性；
- (4) 審閱外聘核數師之法定審核計劃及委聘書；
- (5) 審閱外聘核數師有關本集團截至二零一七年十二月三十一日止年度審核情況之管理層函件；
- (6) 審閱並建議董事會批准二零一八年審核範圍及費用；及
- (7) 討論續聘外聘核數師。

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Responsibilities of the audit committee include:

- (1) reviewing the financial reporting process, internal control system and the completeness of financial reports of the Company;
- (2) to be in charge of the appointment of external auditor, auditing expenses and any matters regarding the resignation or dismissal of the external auditor;
- (3) to review the independence of the external auditor;
- (4) to discuss with the external auditor on the nature and scope of audit prior to the commencement of the auditing procedures;
- (5) to review the interim and annual financial statements. The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company; and
- (6) to discuss the reappointment of external auditor.

Remuneration Committee

The remuneration committee of the Company was established on 10 April 2006 and comprises 1 Executive Director and 2 Independent Non-executive Directors. The members of the remuneration committee are: Mr. Dong Shutong, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Wong Chi Keung. Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Bai Baohua (appointed on 27 August 2018) serve as the chairmen of the remuneration committee during the relevant appointed period respectively. During the year, the remuneration committee held 1 meeting on 28 March 2018. Except for Mr. Huang Changhuai, all other committee members attended the meeting to review the performance and incentives of Executive Directors and terms of employment of the management staff within the Group in 2018.

Responsibilities of the remuneration committee include:

- (1) to make recommendation to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

審核委員會之職責包括：

- (1) 審閱本公司財務申報程序、內部監控系統及財務報告之完整性；
- (2) 負責處理外聘核數師之委聘、審核費用及有關外聘核數師辭任或罷免等事宜；
- (3) 審核外聘核數師之獨立性；
- (4) 展開核數程序前與外聘核數師討論核數之性質及範疇；
- (5) 審閱中期及年度財務報表。審核委員會已審閱本公司之審核表現、內部監控及經審核財務報表；及
- (6) 討論續聘外聘核數師。

薪酬委員會

本公司之薪酬委員會於二零零六年四月十日成立，包括一名執行董事及兩名獨立非執行董事。薪酬委員會成員包括：董書通先生、白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及黃之強先生。黃昌淮先生（於二零一八年八月二十七日辭任）及白葆華先生（於二零一八年八月二十七日獲委任）於相關獲委任期間分別擔任薪酬委員會的主席。年內，薪酬委員會於二零一八年三月二十八日舉行一次會議。除黃昌淮先生外，所有其他委員會成員均出席會議，以審閱二零一八年執行董事的表現與獎勵，以及本集團管理人員的僱傭條款。

薪酬委員會之職責包括：

- (1) 就本公司全體董事及高級管理層薪酬之政策及架構，以及設立制定該等薪酬政策之正式及透明程序，向董事會提出推薦建議；

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企業管治報告

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| <p>(2) to have the delegated responsibility to determine the specific remuneration packages of all Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of Non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;</p> <p>(3) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;</p> <p>(4) to review and approve the compensation payable to Executive Directors and senior management in connection with any loss or termination of their office or appointment;</p> <p>(5) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct; and</p> <p>(6) to ensure that no Director is involved in deciding his own remuneration.</p> | <p>(2) 獲授權負責釐定全體執行董事及高級管理層具體薪酬組合，包括實物利益、退休金權利及補償付款（包括任何失去或終止其職位或委任之應付補償），並就非執行董事之薪酬向董事會作出建議。薪酬委員會應考慮可資比較公司支付之薪金、董事服務時間及責任、本集團其他受僱用情況以及與表現掛鈎之薪酬是否可取等因素；</p> <p>(3) 參考董事會不時議決之企業目標及目的，審閱及批准與表現掛鈎之薪酬；</p> <p>(4) 檢討及批准就失去或終止其職位或委任而應付執行董事及高級管理層之補償；</p> <p>(5) 檢討及批准有關董事因行為失當而遭免職或罷免之補償安排；及</p> <p>(6) 確保概無董事參與訂定自己的薪酬。</p> |
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Nomination Committee

The nomination committee was established on 30 December 2011 and is chaired by Mr. Dong Shutong, an Executive Director. Other members of the Committee are Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018) and Mr. Wong Chi Keung, who are Independent Non-executive Directors.

The nomination committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The committee develops selection procedures for candidates, and will consider different criteria including appropriate professional knowledge and industry experience, as well as consult external recruitment professionals when required. The committee also reviews the size, structure and composition of the Board and assesses the independence of Independent Non-executive Directors.

During the year, the remuneration committee held 1 meeting on 28 March 2018. Except for Mr. Huang Changhuai, all other committee members attended the meeting to review the structure and composition of the Board and independence of the Independent Non-executive Directors.

提名委員會

提名委員會於二零一一年十二月三十日成立，由執行董事董書通先生擔任主席。委員會其他成員為獨立非執行董事白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）及黃之強先生。

提名委員會負責就董事之提名及委任與董事會接納制定政策及向董事會提出建議。委員會建立物色人選之程序，並考慮不同的衡量標準，包括合適的專業知識及行業經驗，並在有需要的情況下諮詢外部招聘專家。委員會亦會檢討董事會之規模、架構及組成以及評核獨立非執行董事的獨立性。

年內，薪酬委員會於二零一八年三月二十八日舉行一次會議。除黃昌淮先生外，所有其他委員會成員均出席會議，以檢討董事會的架構和組成及獨立非執行董事的獨立性。

Corporate Governance Report

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BOARD POLICY

The following are the summaries of the major policies adopted by the Board:

(1) Board Diversity Policy

The Board approved and adopted the Board Diversity Policy in December 2018 which provides that selection of candidates during the nomination process will be based on a range of diversity perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

(2) Nomination Policy

The Board approved and adopted the Nomination Policy in December 2018 which sets out the principles guiding the Nomination Committee to identify and evaluate a candidate for nomination to the Board for appointment or to the shareholders of the Company for election as a Director of the Company. The policy contains a number of factors to which the Nomination Committee has to adhere when considering nominations.

(3) Dividend Policy

The Board approved and adopted the Dividend Policy in December 2018 which sets out the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. The policy contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period.

The full text of the above Board policies are available on the Company's website.

董事局政策

以下是董事局採納的主要政策摘要：

(1) 董事局成員多元化政策

董事局於二零一八年十二月通過及採納董事局成員多元化政策，當中列明於提名過程時甄選人選將按一系列多元化範疇為基準，可包括（但不局限於）性別、年齡、文化及教育背景、專業資格、技能、知識及行業及區域經驗。

(2) 提名政策

董事局於二零一八年十二月通過及採納提名政策，旨在訂立準則向提名委員會提供指引，以物色及評估人選，並提名彼供本公司董事局委任或由本公司股東選任為本公司董事。該政策載有提名委員會在提名時必須考慮之若干因素。

(3) 股息政策

董事局於二零一八年十二月通過及採納股息政策，旨在為董事局訂立指引，以決定是否派付股息及釐定派付股息之水平。該政策載有董事局在決定於任何財政年度／期間之任何股息的派發次數、金額及形式時，董事局應予考慮之若干因素。

上述董事局政策之全文已載列於本公司網頁。

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企業管治報告

Company Secretary

Mr. Choi Kwok Keung Sanvic, the Company Secretary of the Company, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. During the financial year, the Company Secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

The biographical details of Mr. Choi are set out on in the section entitled "Directors, Senior Management and Audit Committee" in this annual report.

FINANCIAL REPORTING

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The statement of the external auditor about the reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 81 to 86 of this annual report.

Going Concern and Mitigation Measures

The Group is a party to various legal claims as detailed in Note 32 to the consolidated financial statements.

During the year ended 31 December 2018, the Group incurred a loss of approximately HK\$509.0 million and had a net operating cash outflow of approximately HK\$49.7 million. As at 31 December 2018, the Group's had a shareholders' deficit of HK\$1,240.2 million and current liabilities exceeded its current assets by HK\$4,172.1 million. Its total bank and other borrowings amounted to HK\$2,562.9 million are overdue or repayable on demand. The cash and cash equivalents of the Group amounted to HK\$4.3 million as at 31 December 2018.

These conditions together with others described in Note 2.1(a) to the consolidated financial statements, have indicated the existence of material uncertainties which might cast significant doubt on the Group's ability to continue as a going concern and therefore it might not be able to realise its assets and discharge its liabilities in the normal course of business.

公司秘書

蔡國強先生為本公司的公司秘書，為本公司的全職僱員，了解本公司的日常事務。於財政年度內，公司秘書已妥為遵守上市規則第3.29條下相關專業培訓之規定。

蔡先生之簡歷詳情載於本年度報告「董事、高級管理層及審核委員會」一節。

財務報告

董事及核數師有關財務報表之責任

董事了解彼等編製真實公平地反映本集團財務狀況之綜合財務報表之責任。於編製真實公平之綜合財務報表時，必須選擇並貫徹採用合適之會計政策。外聘核數師關於綜合財務報表之呈報責任聲明載於本年度報告第81至86頁之獨立核數師報告書。

持續經營及改善措施

本集團涉及多項法律索償事件（詳情載於綜合財務報表附註32）。

截至二零一八年十二月三十一日止年度，本集團產生約509.0百萬港元虧損，並有經營現金流出淨額約49.7百萬港元。於二零一八年十二月三十一日，本集團有股東虧絀1,240.2百萬港元及流動負債超出其流動資產4,172.1百萬港元。其總銀行貸款及其他借貸2,562.9百萬港元已逾期或須按要求償還。本集團於二零一八年十二月三十一日的現金及現金等值物為4.3百萬港元。

此等狀況連同綜合財務報表附註2.1(a)所述的其他事宜顯示存有重大不明朗因素，或會令本集團持續經營的能力產生重大疑慮，因此本集團或無法在正常業務過程中將其資產變現及償還其負債。

Corporate Governance Report

企業管治報告

The Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

(1) On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of HK\$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling approximately HK\$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:

- approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");
- Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;
- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");
- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

董事在評核本集團有否充足的財務資源持續經營時，已審慎考慮本集團未來流動資金及表現以及其可行之融資來源。本集團已採取若干措施以舒緩流動資金的壓力並改善其財務狀況，包括但不限於以下各項：

(1) 於二零一六年三月五日，本公司及一名潛在投資者（「潛在投資者」或「認購方」）訂立一項股份認購協議，以按每股0.1876港元的認購價認購本公司合共1,465,898,410股新普通股（「認購股份」），建議所得款項總額合共約2.75億港元（「認購事項」），惟須受若干先決條件規限，其中包括以下各項：

- 在本公司股東特別大會（「股東特別大會」）上就下列事項取得本公司股東或獨立股東（按適當）的批准：(i)配發及發行認購股份；(ii)清洗豁免；及(iii)特別交易（定義見下文）；
- 香港證券及期貨事務監察委員會（「證監會」）就認購方及其一致行動人士的責任授出清洗豁免，豁免彼等因認購事項可能引致須就認購方及其一致行動人士尚未擁有（或同意收購）的本公司所有已發行股份及其他有關證券提出強制性全面現金要約；
- 證監會同意利用下述建議債務重組項下認購事項的所得款項，向作為本公司股東的任何債權人作出還款（「特別交易」）；
- 聯交所批准本公司股份恢復買賣及認購股份上市；及

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- completion of a debt restructuring by the Company by way of the “Schemes” (Note) (the “Debt Restructuring Proposal”). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

In respect of the above, the Company appointed a financial advisor and debt restructuring scheme advisor to facilitate the Subscription and Debt Restructuring Proposal.

At the meetings of the holders of the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds held on 21 June 2016 and 6 July 2016, respectively, separate extraordinary resolutions (“Extraordinary Resolutions”) were passed and resolved, among others, to approve the Debt Restructuring Proposal, not to enforce any security of the Bonds until approval of the Schemes and release the security as required under the Schemes following the Schemes becoming effective, vote the entire principal amount in favour of the Schemes at the meetings of the Schemes, waive any event of default or potential event of default which might or has occurred and not to demand repayment of any amount due under the Bonds.

Following the passing and effectiveness of the Extraordinary Resolutions by 6 July 2016, the Company is preparing the necessary documents to submit to the courts for the relevant creditors’ approval and court sanction for the Cayman Scheme and the Hong Kong Scheme under the Debt Restructuring Proposal.

- 本公司透過「計劃」（附註）完成債務重組（「債務重組建議」）。債務重組指本公司的債項重組計劃，當中涉及（其中包括）：(i)削減及註銷債券的未償還本金額至少80%；(ii)削減及註銷債券所有未償還應計利息；(iii)解除及免除就12%票面息優先債券及8%票面息可換股債券提供的所有抵押品；及(iv)削減及註銷債務重組建議所述的本公司所有其他債項及或然負債至少80%。

就以上事項而言，本公司已委任財務顧問及債務重組計劃顧問以落實認購事項及債務重組建議。

分別於二零一六年六月二十一日及二零一六年七月六日舉行的12%票面息優先債券及8%票面息可換股債券持有人會議上，通過獨立特別決議案（「特別決議案」）決議批准債務重組建議，在計劃獲批准之前不就債券執行任何抵押並根據計劃的規定在計劃生效後解除抵押，於計劃大會上以全部本金額投票贊成計劃，豁免任何可能發生或已發生的違約事件或潛在違約事件以及不要求償還任何逾期的債券款項。

於二零一六年七月六日特別決議案獲通過及生效後，本公司正在準備需呈交法院之文件，以獲得債務重組建議下開曼計劃及香港計劃之相關債權人批准及法院頒令。

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The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.

Note:

The proposed scheme of arrangement pursuant to Section 86 of the Companies Law (2007 Revision) of the Cayman Islands between the Company and the creditors under such scheme (the "Cayman Scheme") and the proposed scheme of arrangement of pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the creditors under such scheme (the "Hong Kong Scheme"), collectively are referred to as the "Schemes".

本公司亦正積極與本公司的其他債權人磋商簽訂債務重組建議。

附註：

本公司與建議安排計劃（「開曼群島計劃」）項下的債權人根據開曼群島公司法（2007年修訂版）第86條訂立的該計劃以及本公司與建議安排計劃（「香港計劃」）項下的債權人根據（香港法例第622章）公司條例第670、673及674條訂立的該計劃（統稱為「計劃」）。

- (2) In relation to the secured bank loan of HK\$95,811,000 which contains a repayable on demand clause, the Group is actively negotiating with the bank for waiver of the relevant clause and renewal of the loan, including extension of the related interest payments.
- (2) 就載有按要求償還條款的有抵押銀行貸款95,811,000港元而言，本集團正積極就豁免相關條款及重續貸款（包括延遲相關利息付款）與銀行磋商。
- (3) In relation to the syndicated bank loan and the bank loan under the Unsecured Loan Facility to the extent of HK\$568,409,000 and HK\$404,777,000, respectively, the Group is actively negotiating with the respective banks for the waiver of the breach of the undertaking and restrictive covenant requirements; and the renewal of these loans, including extension of the related interest payments.
- (3) 就分別為568,409,000港元及404,777,000港元的無抵押貸款融資項下的銀團貸款及銀行貸款而言，本集團正積極就豁免違反承諾及限制性契諾規定；及重續該等貸款（包括延遲相關利息付款）與各銀行磋商。
- (4) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in SEAM, a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US\$150 million (approximately HK\$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of the consolidated financial statements. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. The Group is currently negotiating with Beijing Wincapital to modify the structure and detailed terms of the disposal on equity interest in SEAM.
- (4) 於二零一三年一月二十一日，本集團與北京匯贏創業投資有限公司（「北京匯贏」）訂立有關出售本集團全資附屬公司南洋礦業30%股權的無約束力框架協議。總出售代價預計約為1.50億美元（約11.70億港元）。直至綜合財務報表獲批准日期，此項建議交易尚未完成，亦未訂立任何正式買賣協議。自框架協議簽署後，由於南洋礦業的經營及規管環境急速轉變，故此商討條款及條件細節所耗時間較預期長。本集團現時正在與北京匯贏磋商，以修改出售南洋礦業股權之架構及詳細條款。

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In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group ("Financing Loans"), which can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

During the year ended 31 December 2017, a loan arranged by Beijing Wincapital of RMB200,000,000 (equivalent to HK\$239,263,000) has been novated to Henan Pingyuan Holding Group Co., Ltd ("河南平原控股集團股份有限公司" or "Pingyuan").

As at 31 December 2018, the outstanding Financing Loans amounted to approximately RMB200 million (equivalent to HK\$228,258,000) were overdue for repayments. Up to the date of approval of the consolidated financial statements, the Group has not received any letter from the lender demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayment of these borrowings to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for all relevant parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

On each of 11 March 2018 and 8 June 2018, the Group entered into a sale and purchase agreement with Mr. Sun Gang ("Mr. Sun"), who is also a substantial shareholder of Pingyuan, pursuant to which the Group agreed to sell an aggregate 14% equity interest in SEAM to Mr. Sun at an aggregate consideration of RMB420,000,000 (equivalent to approximately HK\$479,343,000) conditional upon, amongst others, obtaining approval from shareholders of the Company at an extraordinary general meeting and resumption of trading of the Company's shares.

- (5) Apart from the borrowings mentioned in (1) to (4) above, the Group had other borrowings from certain related parties of the Group, the Potential Investor, related parties of the Potential Investor and other third parties (secured and unsecured) of HK\$88,809,000, HK\$225,976,000, HK\$300,057,000 and HK\$184,611,000, respectively that were either overdue or due for immediate repayment as at 31 December 2018. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor for a term of 2 years is currently under discussion.

就此項建議出售事項而言，北京匯贏為本集團安排若干貸款融資（「融資貸款」）。倘建議出售事項得以完成，融資貸款可藉抵銷出售代價支付。

於截至二零一七年十二月三十一日止年度，北京匯贏安排之貸款人民幣200,000,000元（相當於239,263,000港元）已變更到河南平原控股集團股份有限公司（「平原」）。

於二零一八年十二月三十一日，未償還的融資貸款約為人民幣2.00億元（相等於約228,258,000港元）已逾期償還。直至綜合財務報表獲批准日期，本集團尚未接獲任何放貸人要求償還該等貸款之函件。管理層現正與相關訂約方進行磋商，以正式延長該等借貸之還款期，以促使完成建議出售事項。管理層相信所有相關訂約方具有真誠意向，建議出售事項將會完成，而本集團將可以出售代價抵銷所有該等借貸。

於二零一八年三月十一日及二零一八年六月八日各日，本集團與孫罡先生（「孫先生」）（彼亦為平原之主要股東）訂立一項買賣協議，據此，本集團同意向孫先生出售南洋礦業之合共14%股本權益，總代價為人民幣420,000,000元（相當於約479,343,000港元），須待（其中包括）於股東特別大會上取得本公司股東批准及本公司股份恢復買賣後，方可作實。

- (5) 除上述第(1)至(4)所述之借貸外，本集團來自本集團的若干關連方、潛在投資者、潛在投資者的關連方及其他第三方（有擔保及無擔保）的其他借貸分別為88,809,000港元、225,976,000港元、300,057,000港元及184,611,000港元，於二零一八年十二月三十一日皆已逾期或到期立即償還。本集團一直積極與放債人磋商重續及延長該等借貸的還款日期，目前正在討論將潛在投資者的關連方的借貸還款日期延長2年。

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- (6) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.
- (7) The Group is also maximizing its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, exploring new business opportunities and implementing more stringent cost control measures with a view to improving operating cash flows. The Group has also engaged in providing sub-contracting services to external customers since 2017 and entered into a cooperation agreement with a potential business partner in August 2018 to better utilise the Group's production capacities. Management believes that the Group will be able to record a significant increase in revenue in the coming twelve months after the reporting period.
- (8) The Group has engaged legal advisors to handle all claims and disputes as detailed in Note 32. The Directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes, with no significant cash outflows in the next twelve months.
- (6) 本集團亦正與多間財務機構進行磋商，尋找本集團於可見將來為營運資金及承擔融資的不同方案，包括物色潛在投資者對本集團正進行之多個項目作出投資。
- (7) 本集團亦正致力提升銷售力度，包括加快現有存貨銷售並於海外市場尋求新訂單或就開發新產品尋求新客戶，探索新業務機會，以及實施更嚴謹的成本監控措施，以改善經營現金流量。本集團亦自二零一七年起從事提供向外部客戶提供鋼鐵製品加工服務，並於二零一八年八月與潛在業務夥伴訂立合作協議，以更佳利用本集團之產能。管理層相信，本集團將能於報告期後的未來十二個月錄得收益大幅增長。
- (8) 本集團已委聘法律顧問處理附註32所詳述的所有申索及糾紛。董事已就該等事宜取得法律顧問的意見，據此，董事認為，本集團將能解決待決申索及糾紛且於未來十二個月內不會導致巨額的現金流出。

Remuneration of Directors and senior management

Particulars of the Directors' remuneration for the year are set out in note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5. of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in Note 10 to the consolidated financial statements.

Auditor's Remuneration

The remuneration paid/payable to the Company's auditor, PricewaterhouseCoopers, for its audit and non-audit services for the year ended 31 December 2018 were HK\$4.4 million and HK\$43,000 respectively.

董事及高級管理層之薪酬

董事於年內的薪酬詳情載列於綜合財務報表附註10。

根據企業管治守則第B.1.5. 條條文，高級管理層成員（董事除外）的薪酬詳情載於綜合財務報表附註10。

核數師酬金

截至二零一八年十二月三十一日止年度，就本公司核數師羅兵咸永道會計師事務所提供之審核及非審核服務而已付／應付之酬金分別為4.4百萬港元及43,000港元。

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RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for overseeing the Group's risk management and internal control systems and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its oversight and corporate roles in the Group's financial, operational, compliance, risk management and internal controls, while senior management designs, implements and monitors the risk management and internal control systems, and provides reports to the Board and the Audit Committee on the effectiveness of these systems. However, systems and internal controls can only provide reasonable and not absolute assurance against material misstatement or loss, as they are designed to manage, rather than eliminate the risk of failure to achieve the Group's business objectives.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management

The Company has established formal risk assessment criteria for the Group. Senior management and department heads identify risks that potentially impact the key processes of their operations on an annual basis. Risks are scored and ranked by their impact on the business and the likelihood of their occurrence. Senior management and department heads assess the effectiveness of the existing controls and formulate risk mitigating activities. Results of the annual risk assessment are coordinated by the Financial Controller and Company Secretary and reported to the Audit Committee, including amongst other things, significant risks of the Group and the appropriate control activities to mitigate and/or transfer the identified risks.

Internal Control

The Company has established defined levels of responsibilities and reporting procedures. Controls have been designed and established to ensure that assets are safeguarded against improper use or disposal, financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the Group's performance are identified and assessed.

In the year of 2017, in order to fully satisfy one of the Resumption Conditions, the Company engaged an external consultant to perform a review of the internal control system and the financial reporting system. The review was completed in 2018 and the Company has started to implement certain recommendations from the review report accordingly.

風險管理及內部監控

董事會確認其負責監管本集團的風險管理及內部監控系統，以及透過審核委員會至少每年檢討其有效性。審核委員會協助董事會履行其於本集團財務、營運、合規、風險管理及內部控制的監管及企業管治職責，而高級管理層設計、實施及監控風險管理及內部控制系統，並向董事會及審核委員會匯報該等系統的有效性。然而，有關系統及內部控制僅可就防範重大失實陳述或損失作出合理而非絕對的保證，原因是其訂立旨在管理而非消除未能達致本集團業務目標的風險。

風險管理及內部監控框架

風險管理

本公司已為本集團制訂正式的風險評估準則。高級管理層及部門主管按年度基準識別可能影響其主要業務程序的相關風險。風險將按其對業務的影響程度及其發生的可能性予以評分及排序。高級管理層及部門主管評估現有控制的有效性，及規劃減少風險的活動。年度風險評估結果由財務總監及公司秘書進行協調，並向審核委員會匯報，其中包括但不限於本集團的重大風險及降低及／或轉移所識別風險的適當控制活動。

內部控制

本公司已設定明確的職責級別及匯報程序。設計及實施控制以確保保障資產不會被不當使用或處置、根據相關會計標準及監管報告要求存置財務及會計記錄，以及識別及評估可能影響本集團表現的主要風險。

於二零一七年年末，為了全面符合其中一項復牌條件，本公司已委聘外部顧問對內部控制系統及財務報告系統進行檢討。該檢討已於二零一八年完成，且本公司已開始相應實施檢討報告之若干建議。

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The Company currently does not have a formal internal audit function. The Audit Committee is fully aware of the requirement under Code Provision C. 2.5 of the CG Code that the Company should have an internal audit function in place, but a full-scale internal audit function is not considered necessary as the Audit Committee relied on the periodic internal control reviews performed by the external consultant. However, the Audit Committee will continue to assess and review the need for an internal audit function for the Group on an annual basis.

Review of Risk Management and Internal Control Systems

The Audit Committee assists the Board in the review of the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The directors through the Audit Committees are kept informed of significant risks that may impact on the Group's performance. For the year ended 31 December 2018, the Board considered the risk management and internal control systems of the Group to be effective and adequate.

The Audit Committee has reviewed and is satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, and financial reporting function.

Inside Information

The Company has developed a monitoring system for inside information to ensure prompt identification, evaluation and submission of material information to the Board to determine whether such information constitutes as inside information and requires disclosure. The Company strictly complies with the Inside Information Provisions and disclosure requirements set out in the relevant sections of the SFO and Listing Rules. Staff who have access to inside information is required to keep the unpublished inside information strictly confidential until relevant announcement is made.

SHAREHOLDERS' RIGHTS AND COMMUNICATIONS WITH SHAREHOLDERS

The management believes that it is essential to maintain effective communication with the investment community in a timely manner through various media and channels. The Company holds regular briefings, attends investor conferences and participates in one-on-one meetings and conversations with institutional investors and analysts in Hong Kong, PRC and overseas countries to keep them abreast of the Company's business and development.

本公司目前並無正式的內部審核職能。審核委員會全面知悉企業管治守則之守則條文第C. 2.5條項下的規定，本公司應設定適當的內部審核職能，但本公司認為不必設定全面的內部審核職能，原因是審核委員會依賴外聘顧問進行定期內部控制檢討。然而，審核委員會將繼續按年度基準評估及檢討內部審核職能的必要性。

檢討風險管理及內部控制系統

審核委員會協助董事會按持續基準檢討本集團的風險管理及內部控制系統是否有效。董事透過審核委員會知悉可能影響本集團表現的重大風險。截至二零一八年十二月三十一日止年度，董事會認為本集團的風險管理及內部控制系統屬有效及充足。

審核委員會已檢討並信納本集團處理會計及財務匯報功能的資源充足程度、員工資歷和經驗、培訓計劃及預算。

內幕消息

本公司已制定內部消息監控系統，以確保迅速識別、評估及向董事會遞交重要材料以釐定有關消息是否構成內幕消息及是否需要作披露。本公司嚴格遵守證券及期貨條例及上市規則有關條例所載內幕消息條文及披露規定。可獲取內幕消息的員工需確保未公佈之內幕消息絕對保密，直至作出相關公佈為止。

股東權利及與股東之溝通

管理層相信通過各個媒體及渠道與投資者維持及時有效的溝通至為重要。本公司舉辦定期簡介會，出席投資者會議及參加與香港、中國及海外國家機構投資者及分析師的一對一會議及對談，讓彼等及時了解本公司的業務及發展。

Corporate Governance Report

企業管治報告

Communications with Shareholders

As the key principle of corporate governance, the Company has a set of values and behaviors to ensure transparency and fair dealing and to protect and facilitate the exercise of shareholder's rights. Shareholders are provided with contact details of the Company, such as telephone hotline, fax number and postal address, which enable them to engage actively with the Company and make any query with respect to the Company.

To promote open, efficient and transparent communications with shareholders, investors and analysts, the Investor Relations Department commits to promptly responding to their enquiries and also providing them with the necessary information in a timely manner so as to facilitate the investment community to better understand the Company's strategy and latest developments. Shareholders, investors and analysts can also send enquires and concerns to the Board by addressing them to the Investor Relations Department of the Company by letter, telephone or fax. In addition, if shareholders have any enquiries about their shares and dividends, they can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company. The contact details of the Company are stated in the section entitled "Corporate Information" on pages 2 to 3 in this annual report.

The Board endeavors to provide timely and accurate information equally to shareholders and investors. The Company's website (<http://ir.nickelholdings.com>) facilitates effective communications with shareholders, investors and other stakeholders of the Company by providing up-to-date information relating to the Company's latest development, corporate events, press releases, financial reports and other information on a timely basis. Annual reports, interim reports and other relevant information, including announcements in accordance with the Company's continuous disclosure obligations are available and also posted on the respective websites of the Stock Exchange and the Company for the public's review.

Shareholders' Meetings

The Company regards the Annual General Meeting ("AGM") as an important event as it provides invaluable opportunity for the Directors to meet and communicate with the shareholders. The Company ensures that shareholders' views are extended to the Board. Chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the audit, remuneration and nomination committees and the external auditor also attend the AGM to answer questions from shareholders.

與股東之溝通

作為企業管治的主要原則，本公司已制訂一套價值標準及行為，確保透明度及公平交易，保障及促進股東行使權利。股東可獲提供本公司的聯繫詳情，包括電話熱線、傳真號碼及郵寄地址，讓彼等能主動接觸本公司，並提出任何有關本公司的疑問。

為促進與股東、投資者及分析師之間開放、有效率及具透明度的溝通，投資者關係部門致力迅速回應彼等之查詢，並及時為彼等提供必要資訊，致使投資者能夠更深入了解本公司的策略及最新發展。股東、投資者及分析師亦可透過郵寄、電話或傳真方式將彼等之查詢及疑慮送交本公司投資者關係部門，經其向董事會反映。此外，倘股東對其股份及股息有任何查詢，可聯絡本公司之股份過戶登記處香港分處香港中央證券登記有限公司。本公司的聯繫詳情於本年度報告第2至3頁「公司資料」一節列明。

董事會竭力為股東及投資者平等地提供及時且準確的資訊。本公司網站(<http://ir.nickelholdings.com>)及時提供關於本公司最新發展、公司活動、新聞稿、財務報告及其他資料的更新資訊，促進與本公司股東、投資者及其他利益相關者的有效溝通。年度報告、中期報告及其他相關資料（包括本公司根據持續披露責任刊發的公告）亦已刊登於聯交所及本公司各自之網站內，供公眾查閱。

股東大會

本公司認為股東週年大會（「股東週年大會」）相當重要，因為股東週年大會為董事提供與股東會面及溝通的寶貴機會。本公司確保股東的意見能傳達給董事會。股東週年大會的主席就每項將考慮的事宜建議獨立的決議。審核委員會、薪酬委員會及提名委員會之成員，以及外聘核數師亦會出席股東週年大會以解答股東提問。

Corporate Governance Report

企業管治報告

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM, and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. Chairman of the AGM exercises his power under the articles of association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the respective websites of the Stock Exchange and the Company in a timely manner.

The 2018 AGM was held on 20 June 2018. Except for Mr. Wang Ping, Mr. Dong Chengzhe, Mr. Song Wenzhou, Mr. Yang Tianjun, Mr. Bai Baohua, Mr. Huang Changhuai (resigned on 27 August 2018), Mr. Wong Chi Keung and Mr. Fahmi Idris, all other members of the Board has attended the 2018 AGM.

Under the code provision A.6.7 of CG Code, Independent Non-executive Directors and other Non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Yang Tianjun, a Non-executive Director and Mr. Bai Baohua, Mr. Wong Chi Keung and Mr. Fahmi Idris, the Independent Non-executive Directors of the Company were unable to attend the 2018 AGM due to other business commitment. Mr. Huang Changhuai (resigned on 27 August 2018), an Independent Non-executive Director of the Company, was also unable to attend the 2018 AGM due to his health conditions.

Under code provision E.1.2 of CG Code, the Chairman of the Board should invite the Chairman of the audit committee, the remuneration committee and the nomination committee to attend and answer questions at the AGM. Mr. Huang Changhuai (resigned on 27 August 2018), the Chairman of the remuneration committee, was unable to attend the 2018 AGM due to his health conditions. Mr. Wong Chi Keung, the Chairman of the audit committee, was unable to attend the 2018 AGM due to the other business commitment.

本公司會不時檢討股東週年大會的議程，確保本公司遵從最佳的企業管治常規。根據上市規則的規定，股東週年大會的通告會於召開股東週年大會前至少二十個完整營業日發送至所有股東，隨附的通函亦會載列各建議決議的詳細資料及其他相關資料。股東週年大會的主席按本公司的章程細則行使其權力，提出各建議決議以按股數投票方式表決。會議開始時會解釋要求以投票方式表決及以投票方式進行表決之程序。投票表決的結果會及時於聯交所及本公司各自之網站內公佈。

二零一八年股東週年大會於二零一八年六月二十日舉行。除王平先生、董鉞喆先生、宋文州先生、楊天鈞先生、白葆華先生、黃昌淮先生（於二零一八年八月二十七日辭任）、黃之強先生及法米先生外，所有其他董事會成員均有出席二零一八年股東週年大會。

根據企業管治守則守則條文第A.6.7條，獨立非執行董事及其他非執行董事應出席股東大會，並對股東之意見有公正的瞭解。本公司非執行董事楊天鈞先生及獨立非執行董事白葆華先生、黃之強先生及法米先生因其他事務承擔未能出席二零一八年股東週年大會。本公司獨立非執行董事黃昌淮先生（於二零一八年八月二十七日辭任）亦因其健康狀況而未能出席二零一八年股東週年大會。

根據企業管治守則守則條文第E.1.2條，董事會主席應邀請審核委員會、薪酬委員會及提名委員會主席出席股東週年大會，並於會上答問。薪酬委員會主席黃昌淮先生（於二零一八年八月二十七日辭任）因其健康狀況而未能出席二零一八年股東週年大會。審核委員會主席黃之強先生因其他事務承擔而未能出席二零一八年股東週年大會。

Corporate Governance Report

企業管治報告

Shareholders' Rights

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company can make a written requisition to the Board or the Company Secretary to convene an extraordinary general meeting pursuant to article 58 of the Company's articles of association. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the head office of the Company, which is presently situated at Room 2003, West Tower, Shun Tak Center, 168-200 Connaught Road Central, Hong Kong.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

股東權利

持有本公司已繳股本不少於十分一的股東可根據本公司之章程細則第58條向董事會或公司秘書發出書面要求，請求召開股東特別大會。書面要求須列明會議之目的，且須由有關股東簽署及遞交至本公司總辦事處（現時位於香港干諾道中168-200號信德中心西座2003室）。

本公司之章程細則或開曼群島法例第22章公司法（一九六一年第3號法例，經整合及修訂）概無就股東於股東大會上提呈建議的程序載列任何規定（提名候選董事之建議除外）。股東可遵照上述程序召開股東特別大會，以處理於該書面要求提出之任何事務。

Independent Auditor's Report

獨立核數師報告書



羅兵咸永道

To the Shareholders of Nickel Resources International Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

致鎳資源國際控股有限公司股東

(於開曼群島註冊成立之有限公司)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Nickel Resources International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 87 to 232, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

無法表示意見

我們受聘審計鎳資源國際控股有限公司（「貴公司」）及其附屬公司（統稱「貴集團」）列載於第87至232頁的綜合財務報表，包括：

- 於二零一八年十二月三十一日的綜合財務狀況表；
- 截至該日止年度的綜合收益表；
- 截至該日止年度的綜合全面收益表；
- 截至該日止年度的綜合權益變動表；
- 截至該日止年度的綜合現金流量表；及
- 綜合財務報表附註，包括主要會計政策概要。

如本報告中「無法表示意見的基礎」部分所述，由於我們未能取得充足和適當的審計憑證，加上多項不明朗因素之間的潛在相互影響及其對綜合財務報表可能構成的累計影響，我們沒有就貴集團的綜合財務報表發表意見。在所有其他方面，我們認為該等綜合財務報表已遵照香港《公司條例》的披露規定妥為擬備。

Independent Auditor's Report

獨立核數師報告書

BASIS FOR DISCLAIMER OF OPINION

Impairment of intangible asset

As at 31 December 2018, the carrying amount of the Group's intangible asset amounted to HK\$2,384,543,000. As detailed in Note 16 to the consolidated financial statements, such intangible asset represents an exclusive offtake right secured from PT. Yiwan Mining ("Yiwan"), a limited company incorporated in Indonesia, whereby Yiwan agreed to exclusively sell the limonitic ores produced by Yiwan to the Group at pre-determined prices within a specific period of time.

During the year 2012, certain Indonesian governmental authorities promulgated several new rules and regulations regarding ores export approval and export tax. During the year 2013, the relevant Indonesian governmental authorities further promulgated that unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") will be banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to the relevant regulations regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with those relevant laws. Consequently, the export of unprocessed iron ores from Yiwan to the Group ceased with effect from 12 January 2014.

As further explained in Note 16 to the consolidated financial statements, in determining the recoverable amount of the intangible asset as at 31 December 2018, the directors of the Company, amongst other considerations, made reference to the disposal consideration as stipulated in a non-binding framework agreement entered into between the Group and Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital"), an independent third party, on 21 January 2013, pursuant to which the Group proposed to dispose of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group, which holds the intangible asset of the Group and was engaged in the trading of ores, to Beijing Wincapital. In addition, the directors also take into account of the sale and purchase agreements entered into between the Group and a purchaser during the year ended 31 December 2018 pursuant to which the Group agreed to sell an aggregate the 14% equity interest in SEAM to the purchaser conditional upon, amongst others, obtaining approval from shareholders of the Company at an extraordinary general meeting and resumption of trading of the Company's shares. As these proposed disposal considerations substantially exceed the attributable carrying amounts of the aforesaid intangible asset, the directors are of the opinion that there was no impairment of the intangible asset as at 31 December 2018.

無法表示意見的基礎

無形資產的減值

於二零一八年十二月三十一日，貴集團無形資產的賬面值為2,384,543,000港元。誠如綜合財務報表附註16所詳述，該無形資產指向一間於印尼註冊成立的有限公司PT. Yiwan Mining（「Yiwan」）取得的獨家採購權，據此，Yiwan同意於指定期間按預先釐定的價格向貴集團獨家出售其生產的褐鐵礦石。

於二零一二年間，印尼若干政府機關頒佈多項有關礦石出口批准及出口稅的新規則及法規。在二零一三年，相關印尼政府機關進一步宣佈，於印尼的採礦業務許可證持有人（「許可證持有人」）將自二零一四年一月十二日起被禁止出口未經加工的礦石，除非許可證持有人已根據關於進行礦產及煤礦開採業務的相關法規在當地進行加工及提煉，並已根據該等相關法律進行提煉及冶煉則除外。因此，Yiwan自二零一四年一月十二日起停止向貴集團出口未加工褐鐵礦石。

誠如綜合財務報表附註16所進一步闡釋，在釐定於二零一八年十二月三十一日的無形資產可收回金額時，除了考慮其他因素外，貴公司董事參照貴集團與獨立第三方北京匯贏創業投資有限公司（「北京匯贏」）於二零一三年一月二十一日訂立的不具約束力框架協議所列明的出售代價，根據該框架協議，貴集團擬向北京匯贏出售其於貴集團全資附屬公司南洋礦業有限公司（「南洋礦業」）的30%權益，南洋礦業持有貴集團的無形資產及從事礦石貿易業務。此外，董事亦已考慮貴集團與一名買家於截至二零一八年十二月三十一日止年度所簽訂的買賣協議，根據該等買賣協議，貴集團同意向該買家出售南洋礦業合共14%權益，惟須受若干條件規限，包括在貴公司股東特別大會上取得股東的批准及貴公司股份恢復買賣。由於建議出售代價大幅超逾上述無形資產的應佔賬面值，董事認為，於二零一八年十二月三十一日，此無形資產並無減值。

Independent Auditor's Report

獨立核數師報告書

However, as there is no formal sales and purchase agreement entered into for the proposed disposal of the 30% equity interest to Beijing Wincapital; and the disposal of the 14% equity interest to the purchaser is yet to complete up to the date of this audit report, we were unable to obtain sufficient appropriate audit evidence we consider necessary to assess the recoverable amount of the intangible asset. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amount of the intangible asset and whether any impairment charge should be made. Any adjustment to the carrying amount of the intangible asset found to be necessary would affect the Group's net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements.

Impairment of property, plant and equipment and prepaid land lease payments

As detailed in Note 14 to the consolidated financial statements, an impairment assessment was carried out by the directors of the Company on the Group's property, plant and equipment and prepaid land lease payments in respect of the cash generating unit for the manufacturing and sales of iron and steel products in Zhengzhou (the "Zhengzhou Plants"). As a result of the assessment, the directors considered that no further provision for impairment of the property, plant and equipment and prepaid land lease payments of Zhengzhou plants is required for the year ended 31 December 2018. The recoverable amount of the cash generating unit has been determined by the directors based on value-in-use calculations. These calculations included applying certain assumptions in preparing cash flows projections for the cash generating unit. In preparing these projections, the directors assumed that, amongst other factors, business performance of the Zhengzhou Plants can be gradually improved noticeably during the projection period as a result of improving operating environment and by launching new products and seeking new orders from new customers with improved gross margins.

然而，由於截至本審計報告日期止仍未就建議向北京匯贏出售30%權益事項訂立正式買賣協議，而向該買家出售14%權益的事項尚未完成，我們無法取得我們認為必要的充分合適審計憑證，以評估無形資產的可收回金額。我們亦沒有其他可執行的審計程序使我們信納此無形資產的可收回金額及應否作出任何減值支出。如發現需對無形資產賬面值作出調整，將會影響 貴集團於二零一八年十二月三十一日的淨負債、 貴集團截至該日止年度的虧損，以及綜合財務報表的相關附註披露。

物業、廠房及設備及預付土地租賃款項的減值

誠如綜合財務報表附註14所詳述， 貴公司董事對 貴集團物業、廠房及設備及預付土地租賃款項進行減值評估，其涉及於鄭州生產和銷售鐵及特鋼製品之現金產生單位（「鄭州廠房」）。根據評估結果，董事認為鄭州廠房之物業、廠房及設備及預付土地租賃款項於截至二零一八年十二月三十一日止年度毋須計提進一步減值撥備。現金產生單位之可收回金額乃由董事根據使用價值計算釐定。該等計算包括在編製現金產生單位之現金流預測時應用若干假設。編製該等預測時，董事假定多項因素，其中包括鄭州廠房之業務表現將會因為經營環境改善及透過推出新產品及向新客戶取得毛利率更高的新訂單而於預測期內逐步顯著改善。

Independent Auditor's Report

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However, we were unable to obtain sufficient appropriate audit evidence we consider necessary as to the basis upon which the directors have formed in determining the recoverable amounts of these property, plant and equipment and prepaid land lease payments and thus to assess the valuation of these assets. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of these assets totalling HK\$352,323,000 as at 31 December 2018 and whether any impairment charge should be made for the year ended 31 December 2018. Any adjustment to the carrying amounts of property, plant and equipment and prepaid land lease payments of the Zhengzhou Plants found to be necessary would affect the Group's net liabilities as at 31 December 2018, the Group's loss for the year then ended and the related notes disclosures to the consolidated financial statements.

Impairment of the Company's interests in subsidiaries

In addition, as the intangible asset, property, plant and equipment and prepaid land lease payments as stated above were held by various subsidiaries of the Company, any adjustment on the carrying amounts of these assets found to be necessary would also affect the carrying amount of the Company's interests in subsidiaries and its accumulated losses which amounted to HK\$Nil and HK\$4,965,969,000 respectively as at 31 December 2018 and the related notes disclosures in the Note 36 to the consolidated financial statements.

Multiple uncertainties relating to going concern

As described in Note 2.1(a) to the consolidated financial statements, the Group incurred a net loss of HK\$508,996,000 and had a net operating cash outflow of HK\$49,736,000 during the year ended 31 December 2018. As at 31 December 2018, the Group had a shareholders' deficit of HK\$1,240,151,000; its current liabilities exceeded its current assets by HK\$4,172,126,000; and its total borrowings amounted to HK\$2,577,080,000 while its cash and cash equivalents amounted to HK\$4,256,000 only. In addition, as at 31 December 2018, the Group's borrowings to the extent of HK\$2,562,873,000 were either overdue or due for immediate repayment. The Group also involved in various claims and disputes as detailed in Note 32 to the consolidated financial statements. These conditions, along with other matters as described in Note 2.1(a) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

然而，我們未能就董事於釐定該等物業、廠房及設備及預付土地租賃款項之可收回金額時所依據的基礎取得我們認為必要的充分合適審計憑證，並據此評估該等資產之價值。我們亦沒有其他可執行的審計程序使我們信納該等資產於二零一八年十二月三十一日的可收回金額合共為352,323,000港元及截至二零一八年十二月三十一日止年度是否須作出減值支出。對鄭州廠房的物業、廠房及設備及預付土地租賃款項的賬面值作出之任何必要調整，將影響 貴集團於二零一八年十二月三十一日之淨負債、 貴集團截至該日止年度之虧損，以及綜合財務報表之相關附註披露。

貴公司於附屬公司權益的減值

此外，由於上述無形資產、物業、廠房及設備及預付土地租賃款項由 貴公司多間附屬公司持有，對該等資產賬面值作出的任何必要調整，亦將影響於二零一八年十二月三十一日 貴公司於附屬公司權益的賬面值零港元、其累計虧損4,965,969,000港元，以及綜合財務報表附註36的相關附註披露。

有關持續經營的多項不明朗因素

誠如綜合財務報表附註2.1(a)所述， 貴集團於截至二零一八年十二月三十一日止年度錄得虧損淨額508,996,000港元及經營現金流出淨額49,736,000港元。於二零一八年十二月三十一日， 貴集團的股東虧絀為1,240,151,000港元；其流動負債超出其流動資產4,172,126,000港元；其借貸總額為2,577,080,000港元，但其現金及現金等價物卻只有4,256,000港元。此外，於二零一八年十二月三十一日， 貴集團的借貸其中2,562,873,000港元已逾期或已到期而須即時償還。誠如綜合財務報表附註32所詳述， 貴集團亦涉及多項申索及糾紛。該等狀況連同綜合財務報表附註2.1(a)所述其他事宜，顯示存在重大不明朗因素，或會對 貴集團持續經營能力產生重大疑慮。

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The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1(a) to the consolidated financial statements, and to resolve the outstanding claims and disputes detailed in Note 32 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures and litigation matters, which are subject to multiple uncertainties, including (i) whether the Group is able to successfully complete the issuance of certain new ordinary shares after fulfilling all conditions precedent as detailed in Note 2.1(a) to the consolidated financial statements, and in particular by the successful completion of a debt restructuring proposal; (ii) whether the Group is able to successfully negotiate with banks for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements of certain bank loans; and for the extension of these bank loans including all relevant interest expense that became overdue during the year ended 31 December 2018; (iii) whether the Group is able to successfully negotiate for an extension of the repayment date of certain borrowings until completion of the proposed disposal of interest in SEAM under the relevant framework agreement at the prescribed consideration and be able to collect the disposal consideration in full immediately upon completion of the transaction after properly offsetting the relevant borrowings; (iv) whether the Group is able to successfully negotiate with certain related parties of the Group and other lenders as detailed in Notes 27(e) to (h) to the consolidated financial statements for extension of their relevant borrowings, by maintaining relationship with them such that no action will be taken by these lenders to demand immediate repayment of the overdue borrowings under negotiation; (v) whether the Group is able to obtain additional new financing and other sources of funding as and when required; (vi) whether the Group is able to implement its operation plans to control costs and to generate more revenue for adequate cash flows from operations; and (vii) whether the Group is able to resolve the outstanding claims and disputes, without significant cash outflows in the next twelve months.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

貴公司董事已採取多項措施，以改善 貴集團的流動資金及財務狀況（詳情載於綜合財務報表附註2.1(a)），以及解決待決申索及糾紛（詳情載於綜合財務報表附註32）。此綜合財務報表已按持續經營基準擬備，其有效性取決於該等措施及訴訟事宜的結果，有關結果受多項不明朗因素影響，包括 (i) 貴集團能否於達成綜合財務報表附註2.1(a)所詳述的所有先決條件後，成功完成發行若干新普通股，尤其是能否成功完成債務重組計劃；(ii) 貴集團能否與銀行成功磋商就若干銀行貸款中的即期償還條款及違反承諾和限制性契諾規定取得豁免；以及能否成功將截至二零一八年十二月三十一日止年度已逾期的該等銀行貸款延期，包括所有相關利息開支；(iii) 貴集團能否成功磋商以將若干貸款的還款日期延長至按相關合同上列明之代價完成建議出售於南洋礦業的權益，且能否於緊隨交易完成時在適當地抵銷相關貸款後悉數收取出售代價；(iv) 貴集團能否與綜合財務報表附註27(e)至(h)所詳述的 貴集團若干關連方及其他貸款人成功磋商延長其相關借貸的期限，並維持與彼等的關係，致使該等貸款人不會採取行動要求即時償還磋商中之逾期借貸；(v) 貴集團能否於有需要時取得新增額外融資以及其他資金來源；(vi) 貴集團能否實施其營運計劃以控制成本並創造更多收入以為營運提供足夠的現金流量；及(vii) 貴集團能否解決待決申索及糾紛且於未來十二個月內毋須導致巨額的現金流出。

倘 貴集團未能達成上述計劃及措施，其可能無法持續經營，並必須作出調整，以將 貴集團資產的賬面值撇減至其可收回金額、為可能產生的任何額外負債作出撥備，以及將非流動資產及非流動負債重新分類為流動資產及流動負債。該等調整的影響並未反映於綜合財務報表內。

Independent Auditor's Report

獨立核數師報告書

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. We report solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

The engagement partner on the audit resulting in this independent auditor's report is Mak Tze Leung, William.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

董事及審核委員會就綜合財務報表須承擔的責任

貴公司董事須負責根據《國際財務報告準則》及香港《公司條例》的披露規定擬備真實而中肯的綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。

在擬備綜合財務報表時，董事負責評估 貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將 貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會須負責監督 貴集團的財務報告過程。

核數師就審計綜合財務報表承擔的責任

我們的責任，是根據《國際審計準則》為 貴集團的綜合財務報表進行審計，並出具核數師報告。我們僅向 閣下（作為整體）報告，除此之外本報告別無其他目的。我們不會就本報告的內容向任何其他人士負上或承擔任何責任。然而，如本報告中「無法表示意見的基礎」部份所述，由於我們未能取得充足和適當的審計憑證，加上多項不明朗因素之間的潛在相互影響及其對綜合財務報表可能構成的累計影響，我們無法為該等綜合財務報表發表審計意見。

根據國際會計師專業操守理事會頒佈的《專業會計師道德守則》（以下簡稱「道德守則」），我們獨立於 貴集團，並已履行道德守則中的其他專業道德責任。

出具本獨立核數師報告的審計項目合夥人是麥子良。

羅兵咸永道會計師事務所
執業會計師

香港，二零一九年三月二十九日

Consolidated Income Statement

綜合收益表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

		Notes 附註	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Revenue	收益	6	448,207	296,430
Cost of sales	銷售成本	7	(440,684)	(257,559)
Gross profit	毛利		7,523	38,871
Other gains, net	其他盈利淨額	6	26,566	42,414
Selling and distribution expenses	銷售及分銷開支	7	(2,399)	(2,255)
Administrative expenses	行政開支	7	(194,699)	(214,330)
Finance income	融資收入	9	118	139
Finance costs	融資成本	9	(341,168)	(343,919)
(Provision for)/reversal of impairment of financial assets, net	金融資產減值(撥備)/撥回淨額	7	(815)	10,096
Other expenses	其他開支	7	(4,122)	(3,705)
Loss before income tax	除所得稅前虧損	7	(508,996)	(472,689)
Income tax expense	所得稅開支	11	–	–
Loss for the year	年內虧損		(508,996)	(472,689)
Attributable to:	屬於:			
Owners of the Company	本公司擁有人		(508,966)	(472,372)
Non-controlling interests	非控股權益		(30)	(317)
			(508,996)	(472,689)
Loss per share attributable to owners of the Company	本公司擁有人應佔每股虧損			
– Basic (HK dollar)	– 基本(港元)	13	(0.16)	(0.15)
– Diluted (HK dollar)	– 攤薄(港元)	13	(0.16)	(0.15)

The notes on pages 96 to 232 are an integral part of these consolidated financial statements. 第96至232頁之附註為本綜合財務報表的一部分。

Consolidated Statement of Comprehensive Income

綜合全面收益表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Loss for the year	年度虧損	(508,996)	(472,689)
Other comprehensive income/(loss)	其他全面收益／（虧損）		
<i>Items that have been reclassified or may be subsequently reclassified to profit or loss</i>	<i>經已重新分類或可能於其後重新分類至損益之項目</i>		
Exchange differences on translation of foreign operations	境外經營報表折算匯兌差額	101,617	(84,708)
Release of exchange reserve on deconsolidation of subsidiaries	附屬公司終止綜合入賬之匯兌儲備撥回	—	(6,873)
Other comprehensive income/(loss) for the year, net of tax	年度除稅後其他全面收益／（虧損）	101,617	(91,581)
Total comprehensive loss for the year	年度全面虧損合計	(407,379)	(564,270)
Attributable to:	屬於：		
Owners of the Company	本公司擁有人	(407,367)	(563,975)
Non-controlling interests	非控股權益	(12)	(295)
		(407,379)	(564,270)

The notes on pages 96 to 232 are an integral part of these consolidated financial statements. 第96至232頁之附註為本綜合財務報表的一部分。

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2018 於二零一八年十二月三十一日

		As at 31 December 於十二月三十一日	
		2018 二零一八年	2017 二零一七年
		HK\$'000 千港元	HK\$'000 千港元
ASSETS	資產		
Non-current assets	非流動資產		
Property, plant and equipment	物業、廠房及設備	14 395,499	428,917
Prepaid land lease payments	預付土地租賃款項	15 159,271	171,610
Intangible asset	無形資產	16 2,384,543	2,384,543
Interest in an associate	於一間聯營公司之權益	18 –	–
Other non-current assets	其他非流動資產	1,458	1,531
		2,940,771	2,986,601
Current assets	流動資產		
Inventories	存貨	20 184,675	179,392
Trade receivables	應收賬款	21 77,021	74,906
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	22 139,177	112,023
Pledged time deposits	已抵押定期存款	23 24	25
Cash and cash equivalents	現金及現金等值物	23 4,256	20,046
		405,153	386,392
Total assets	總資產	3,345,924	3,372,993
EQUITY AND LIABILITIES	權益及負債		
Equity attributable to owners of the Company	本公司擁有人應佔權益		
Share capital	股本	29 308,813	308,813
Reserves	儲備	30 (1,548,596)	(1,141,229)
		(1,239,783)	(832,416)
Non-controlling interests	非控股權益	(368)	(356)
Total shareholders' deficit	股東虧絀總額	(1,240,151)	(832,772)

Consolidated Statement of Financial Position

綜合財務狀況表

As at 31 December 2018 於二零一八年十二月三十一日

		As at 31 December 於十二月三十一日	
		2018 二零一八年	2017 二零一七年
		HK\$'000 千港元	HK\$'000 千港元
Notes 附註			
LIABILITIES	負債		
Non-current liabilities	非流動負債		
	Deferred government grants 遞延政府補貼	24 7,567	7,932
	Deferred tax liabilities 遞延稅項負債	19 1,229	1,288
		8,796	9,220
Current liabilities	流動負債		
	Trade payables 應付賬款	25 187,514	133,008
	Notes payables 應付票據	25 14,207	1,436
	Other payables and accruals 其他應付款項及應計負債	26 1,804,315	1,512,790
	Bank and other borrowings 銀行貸款及其他借貸	27 2,516,098	2,493,776
	Convertible bonds 可換股債券	28 46,775	46,775
	Derivative financial instruments 衍生金融工具	28 –	–
	Tax payable 應付稅項	8,370	8,760
		4,577,279	4,196,545
Total liabilities	總負債	4,586,075	4,205,765
Total equity and liabilities	權益及負債總額	3,345,924	3,372,993

The financial statements on pages 87 to 232 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf.

第87至232頁的財務報表獲董事會於二零一九年三月二十九日批准及由其代表簽署。

Dong Shutong
董書通
Director
董事

Yang Fei
楊飛
Director
董事

The notes on pages 96 to 232 are an integral part of these consolidated financial statements.

第96至232頁之附註為本綜合財務報表的一部分。

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

		Attributable to owners of the Company 本公司擁有人應佔											
	Notes	Share capital 股本	Share premium 股份溢價	Contributed surplus 實繳盈餘	Capital reserve 資本儲備	Statutory reserves 法定儲備	Share option reserve 購股權儲備	Exchange reserve 匯兌儲備	Accumulated losses 累計虧損	Sub-total 小計	Non-controlling interests 非控股權益	Total 總計	
	附註	HK\$'000 千港元 (Note 29) (附註29)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	
For the year ended 31 December 2017	截至二零一七年 十二月三十一日止年度												
At 1 January 2017	於二零一七年一月一日	308,813	3,237,077	47,514	115,807	89,774	37,387	531,451	(4,636,286)	(268,463)	6,006	(262,457)	
Loss for the year	年度虧損	-	-	-	-	-	-	-	(472,372)	(472,372)	(317)	(472,689)	
Other comprehensive loss for the year:	年度其他全面虧損：												
Exchange differences on translation of foreign operations	境外經營報表折算匯兌差額	-	-	-	-	-	-	(84,730)	-	(84,730)	22	(84,708)	
Release of exchange reserve on deconsolidation of subsidiaries	附屬公司終止綜合入賬之匯兌儲備撥回	8	-	-	-	-	-	(6,873)	-	(6,873)	-	(6,873)	
Total comprehensive loss for the year	年度全面虧損合計	-	-	-	-	-	-	(91,603)	(472,372)	(563,975)	(295)	(564,270)	
Equity-settled share based compensation expense	以股權結算之股份補償開支	31	-	-	-	-	22	-	-	22	-	22	
Deconsolidation of subsidiaries	附屬公司終止綜合入賬	8	-	-	-	-	-	-	-	-	(6,067)	(6,067)	
At 31 December 2017	於二零一七年十二月三十一日	308,813	3,237,077	47,514	115,807	89,774	37,409	439,848	(5,108,658)	(832,416)	(356)	(832,772)	

Consolidated Statement of Changes in Equity

綜合權益變動表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

		Attributable to owners of the Company 本公司擁有人應佔								Non-controlling interests		Total
Notes		Share capital	Share premium	Contributed surplus	Capital reserve	Statutory reserves	Share option reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interests	Total
		股本	股份溢價	實繳盈餘	資本儲備	法定儲備	購股權儲備	匯兌儲備	累計虧損	小計	非控股權益	總計
		HK\$'000 千港元 (Note 29) (附註29)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元 (Note 30) (附註30)	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
For the year ended 31 December 2018	截至二零一八年 十二月三十一日止年度											
At 1 January 2018	於二零一八年一月一日	308,813	3,237,077	47,514	115,807	89,774	37,409	439,848	(5,108,658)	(832,416)	(356)	(832,772)
Loss for the year	年度虧損	-	-	-	-	-	-	-	(508,966)	(508,966)	(30)	(508,996)
Other comprehensive income for the year:	年度其他全面收益：											
Exchange differences on translation of foreign operations	境外經營報表折算匯兌差額	-	-	-	-	-	-	101,599	-	101,599	18	101,617
Total comprehensive loss for the year	年度全面虧損總額	-	-	-	-	-	-	101,599	(508,966)	(407,367)	(12)	(407,379)
At 31 December 2018	於二零一八年十二月三十一日	308,813	3,237,077	47,514	115,807	89,774	37,409	541,447	(5,617,624)	(1,239,783)	(368)	(1,240,151)

The notes on pages 96 to 232 are an integral part of these consolidated financial statements. 第96至232頁之附註為本綜合財務報表的一部分。

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

			2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
	Notes 附註			
Cash flows from operating activities		經營活動之現金流量		
Loss before income tax		除所得稅前虧損	(508,996)	(472,689)
Adjustments for:		經下列各項調整：		
Finance costs	9	融資成本	341,168	343,919
Finance income	9	融資收入	(118)	(139)
Gain on disposal of property, plant and equipment, net	6	出售物業、廠房及設備之收益淨額	(5,064)	(185)
Gain on deconsolidation of subsidiaries, net	6, 8	附屬公司終止綜合入賬之收益淨額	—	(44,455)
Depreciation	7, 14	折舊	66,398	72,260
Amortisation of prepaid land lease payments	7, 15	預付土地租賃款項攤銷	4,610	4,506
Provision for/(reversal of) impairment of trade receivables	7, 21	應收賬款減值撥備／(撥回)	2,069	(11,571)
Provision for impairment of prepayments	7	預付款項減值撥備	4,122	3,705
(Reversal of)/provision for impairment of other receivables		其他應收款項減值(撥回)／撥備	(1,254)	1,475
Provision for impairment of inventories	7, 20	存貨減值撥備	24,273	12,360
Equity-settled share-based compensation expense	10	以股權結算之股份補償開支	—	22
Write off of other payables		撇銷其他應付款項	(3,779)	—
Operating loss before working capital changes:		營運資金變動前之經營虧損：	(76,571)	(90,792)
Changes in working capital:		營運資金變動：		
(Increase)/decrease in inventories		存貨(增加)／減少	(57,074)	23,671
Increase in trade receivables		應收賬款增加	(7,629)	(33,457)
(Increase)/decrease in prepayments, deposits and other receivables		預付款項、按金及其他應收款項(增加)／減少	(36,699)	31,375
Increase in trade and notes payables		應付賬款及應付票據增加	73,282	4,587
Increase in other payables and accruals		其他應付款項及應計費用增加	54,955	60,724
Net cash flows used in operating activities		經營活動所用之現金流量淨額	(49,736)	(3,892)

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

	Notes 附註	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Cash flows from investing activities	投資活動之現金流量		
Interest received	已收利息	118	139
Payments for property, plant and equipment	支付物業、廠房及設備	(46,190)	(1,738)
Decrease in pledged time deposits	已抵押定期存款減少	–	1,663
Net cash disposed on deconsolidation of subsidiaries	附屬公司終止綜合入賬時 流出之現金淨額	8	(257)
Net cash flows used in investing activities	投資活動所用之 現金流量淨額	(46,072)	(193)
Cash flows from financing activities	融資活動之現金流量		
Addition of bank and other borrowings	新增銀行及其他借貸	200,785	296,642
Repayment of bank and other borrowings	償還銀行及其他借貸	(81,702)	(267,346)
Interest paid	已付利息	(38,800)	(26,655)
Net cash flows generated from financing activities	融資活動產生之 現金流量淨額	80,283	2,641
Net decrease in cash and cash equivalents	現金及現金等值物減少之 淨額	(15,525)	(1,444)
Cash and cash equivalents at beginning of year	年初之現金及現金等值物	20,046	20,143
Effect of foreign exchange rate changes, net	外匯匯率變動影響淨額	(265)	1,347
Cash and cash equivalents at end of year	年末之現金及現金等值物	4,256	20,046
Analysis of balances of cash and cash equivalents	現金及現金等值物結餘分析		
Cash and bank balances	現金及銀行結餘	23	20,046

The notes on pages 96 to 232 are an integral part of these consolidated financial statements.

第96至232頁之附註為本綜合財務報表的一部分。

Consolidated Statement of Cash Flows

綜合現金流量表

For the year ended 31 December 2018 截至二零一八年十二月三十一日止年度

(a) Reconciliation of liabilities arising from financing activities

(a) 來自融資活動之負債對賬

This section sets out an analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the year.

本節載列來自融資活動之負債的分析以及年內來自融資活動之負債的變動。

		Bank and other borrowings 銀行及其他借貸 HK\$'000 千港元
At 1 January 2017	於二零一七年一月一日	2,331,498
Cash inflows	現金流入	296,642
Cash outflows	現金流出	(267,346)
Exchange difference	匯兌差額	132,982
At 31 December 2017	於二零一七年十二月三十一日	2,493,776
At 1 January 2018	於二零一八年一月一日	2,493,776
Cash inflows	現金流入	200,785
Cash outflows	現金流出	(81,702)
Exchange difference	匯兌差額	(96,761)
At 31 December 2018	於二零一八年十二月三十一日	2,516,098

Notes to the Consolidated Financial Statements

綜合財務報表附註

1 GENERAL INFORMATION

Nickel Resources International Holdings Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred to as the “Group”) is located at No. 7, Block F, Runhua Business Garden, No. 24, Jinshui Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China (the “PRC”), 450012. The principal place of business of the Company is located at Room 2003, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holdings. The Group is principally engaged in the manufacturing, sub-contracting and sale of iron and steel products in the PRC and the trading of ore. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the directors of the Company, Easyman Assets Management Limited (“Easyman”), a company incorporated in the British Virgin Islands (“BVI”) and wholly owned by Mr. Dong Shutong (“Mr. Dong”), is the ultimate holding company of the Company. Mr. Dong is regarded as the ultimate controlling party.

These consolidated financial statements are presented in Hong Kong dollar (“HK\$”), unless otherwise stated, and have been approved for issue by the board of Directors on 29 March 2019.

1 一般資料

鎳資源國際控股有限公司（「本公司」），於二零零四年三月十一日根據開曼群島公司法第22章（一九六一年第三號法例，經綜合及修訂）在開曼群島註冊成立為獲豁免有限公司。本公司註冊辦事處位於Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands。本公司及其附屬公司（統稱「本集團」）主要營業地點位於中華人民共和國（「中國」）河南省鄭州市金水區金水路24號潤華商務花園F座7號（郵編450012）。本公司主要營業地點位於香港干諾道中168-200號信德中心西翼2003室。

本公司之主要業務為投資控股。本集團主要於中國從事鋼鐵製品生產、加工及銷售及礦石貿易業務。本公司的股份於香港聯合交易所有限公司（「聯交所」）主板上市。

根據本公司董事之意見，於英屬處女群島（「英屬處女群島」）註冊成立並由董書通先生（「董先生」）全資擁有之Easyman Assets Management Limited（「Easyman」）為本公司之最終控股公司。董先生被視為最終控股方。

該等綜合財務報表以港元（「港元」）列報（除非另有說明），並已經由董事會在二零一九年三月二十九日批准刊發。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative financial instruments) are measured at fair value, as appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Going concern

During the year ended 31 December 2018, the Group incurred a net loss of HK\$508,996,000 and had a net operating cash outflow of HK\$49,736,000. As at 31 December 2018, the Group had a shareholders' deficit of HK\$1,240,151,000 and net current liabilities of HK\$4,172,126,000, and the Group's total borrowings amounted to HK\$2,577,080,000 which comprised bank and other borrowings, convertible bonds and notes payables of HK\$2,516,098,000, HK\$46,775,000 and HK\$14,207,000, respectively as at 31 December 2018. Cash and cash equivalents of the Group amounted to HK\$4,256,000 as at 31 December 2018.

2 主要會計政策概要

編製該等綜合財務報表所採用的主要會計政策載列如下。除另有指明外，該等政策已於所有呈報年度貫徹採用。

2.1 編製基準

本公司綜合財務報表乃根據國際財務報告準則（「國際財務報告準則」）及香港公司條例第622章的披露規定編製。除若干金融資產及負債（包括衍生金融工具）按公允價值計量（如適用）外，綜合財務報表已採用歷史成本法編製。

遵循國際財務報告準則編製財務報表，需要使用若干重大的會計估計。在本集團運用會計政策的過程中，亦需管理層運用其判斷。涉及應用大量或複雜的判斷之範疇，或涉及假設和估計對綜合財務報表具有重大影響之範疇，於附註4披露。

(a) 持續經營

截至二零一八年十二月三十一日止年度，本集團產生虧損淨額508,996,000港元及經營現金流出淨額49,736,000港元。於二零一八年十二月三十一日，本集團的股東虧絀為1,240,151,000港元、流動負債淨值為4,172,126,000港元及本集團的總借貸為2,577,080,000港元，包括銀行及其他借貸、可換股債券及應付票據於二零一八年十二月三十一日分別為2,516,098,000港元、46,775,000港元及14,207,000港元。於二零一八年十二月三十一日，本集團現金及現金等值物為4,256,000港元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

As at 31 December 2018, the Group's borrowings to the extent of HK\$2,562,873,000 were either overdue or due for immediate repayment despite the original contractual repayment dates of some of these borrowings are still within twelve months as at the reporting date. This is mainly because:

- (i) on 19 December 2014, the Group failed to make interest payment totalling HK\$16,108,000 under the relevant terms and conditions of its Modified 10% Coupon Bonds, 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds (together the "Bonds"), details of which are disclosed in Notes 27 and 28. This constituted an event of default under the respective terms of the Bonds. The Bonds had become overdue as at 31 December 2018 and the Group failed to pay interest payment of the Bonds in aggregate of HK\$184,432,000 up to 31 December 2018.
- (ii) as at 31 December 2018, a secured bank loan of HK\$95,811,000 which contains a repayable on demand clause was immediately due and payable and the Group failed to pay interest expense amounting to approximately HK\$8,868,000 up to 31 December 2018;

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

於二零一八年十二月三十一日，本集團之借貸2,562,873,000港元已逾期或須即時償還，即使當中有若干借貸之原合約償還日期仍為於報告日期內十二個月。主要由於：

- (i) 於二零一四年十二月十九日，本集團未能根據其經修訂的10%票面息債券、12%票面息優先債券及8%票面息可換股債券（統稱「該等債券」）之相關條款及條件支付利息合共16,108,000港元，有關詳情載於附註27及28。根據該等債券之相關條款，這構成違約事件。該等債券已於二零一八年十二月三十一日逾期，且直至二零一八年十二月三十一日，本集團未能支付該等債券的利息合共184,432,000港元。
- (ii) 於二零一八年十二月三十一日，包含按要求償還條款之有抵押銀行貸款95,811,000港元即時到期及應付，而本集團直至二零一八年十二月三十一日未能支付約8,868,000港元之相關利息開支；

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

- (iii) the Group has obtained a 3-year syndicated loan of approximately RMB498 million (equivalent to HK\$556,859,000) in January 2016 from a syndicate of banks in the PRC (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of RMB268,620,000 and RMB79,737,000, respectively with the syndicated loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of RMB150,000,000 (the "New Facilities") for a 3-year term. The New Facilities had been fully drawn down during the year ended 31 December 2016. The syndicated loan is secured by certain property, plant and equipment and prepaid land lease payments of certain subsidiaries of the Group. However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under these syndicated loan facilities upon signing the syndicated loan agreement; and the Group also failed to pay interest totalling HK\$34,003,000 up to 31 December 2018. As a result, the outstanding amount of the 3-year syndicated loan of HK\$568,409,000 and the related interest expense are immediately due and payable as at 31 December 2018. In addition, the Group failed to repay the principal amount of the loan together with the related interest in January 2019; and

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

- (iii) 於二零一六年一月，本集團已自中國一銀團取得一項為期三年的銀團貸款約人民幣4.98億元（相當於556,859,000港元），(i)從而以等額的銀團貸款取代本集團於二零一五年十二月三十一日尚未償還的若干銀行貸款及應付票據，金額分別為人民幣268,620,000元及人民幣79,737,000元；及(ii)為本集團提供額外貸款融資作為營運資金，金額為人民幣150,000,000元（「新造融資」），為期三年。截至二零一六年十二月三十一日止年度，新造融資已全部提取。銀團貸款由本集團若干附屬公司的若干物業、廠房及設備及預付土地租賃款項擔保。然而，本集團於簽署銀團貸款協議後，未能履行該等銀團貸款融資項下的若干承擔及限制性契諾規定；及本集團亦未能支付直至二零一八年十二月三十一日之合共34,003,000港元之利息。因此，三年期銀團貸款的未償還金額568,409,000港元及相關利息開支於二零一八年十二月三十一日已即時到期應付。此外，本集團於二零一九年一月未能償還貸款的本金連同相關利息；及

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(iv) the Group has obtained an unsecured 3-year loan facility from a PRC bank for an amount of RMB360 million (equivalent to HK\$430,674,000) (the "Unsecured Loan Facility") in June 2016. As at 31 December 2018, approximately RMB355 million (equivalent to HK\$404,777,000) of the Unsecured Loan Facility has been drawn down mainly to replace part of the loans in relation to the proposed disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group, as detailed in Note 27(d). However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under this Unsecured Loan Facility upon signing the loan agreement. In addition, the Group also failed to pay interest totalling HK\$34,286,000 up to 31 December 2018. As a result, the outstanding amount of this loan of HK\$404,777,000 and the related interest expense are immediately due and payable as at 31 December 2018.

(v) as at 31 December 2018, other loans to the extent of HK\$228,258,000 had become overdue;

(vi) other borrowings to the extent of HK\$652,226,000 were overdue and HK\$147,227,000 were on repayable on demand terms;

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(iv) 於二零一六年六月，本集團已自中國一間銀行取得一項為期三年的無抵押貸款融資人民幣3.60億元（相當於430,674,000港元）（「無抵押貸款融資」）。於二零一八年十二月三十一日，已提取約人民幣3.55億元（相當於404,777,000港元）的無抵押貸款融資，主要用以取代部分就建議出售本集團全資附屬公司南洋礦業有限公司（「南洋礦業」）30%股權之借貸，於附註27(d)詳述。然而，本集團於簽署貸款協議後，未能履行該無抵押貸款融資項下的若干承擔及限制性契諾規定。此外，本集團未能支付直至二零一八年十二月三十一日之合共34,286,000港元之利息。因此，該貸款的未償還金額404,777,000港元及相關利息開支於二零一八年十二月三十一日即時成為到期應付。

(v) 於二零一八年十二月三十一日，228,258,000港元的其他貸款已逾期；

(vi) 652,226,000港元的其他借款已逾期及147,227,000港元須應要求償還。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

Together with the accrued interest for borrowings to the extent of HK\$1,154,620,000 (included those overdue bank loan interest mentioned in (ii) to (iv) above) as at 31 December 2018 included in other payables and accruals, the aggregate borrowings and interest that were either overdue or due for immediate repayment amounted to HK\$3,717,493,000 as at 31 December 2018.

In addition, the Group is involved in various claims and dispute as detailed in Note 32 to the consolidated financial statements.

The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern such that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

連同於二零一八年十二月三十一日已計入其他應付款項及應計款項中的應計借貸利息1,154,620,000港元(包括上文(ii)至(iv)所提述之該等逾期銀行貸款利息),於二零一八年十二月三十一日,已逾期或須即時償還的借貸總額及其利息合共為3,717,493,000港元。

此外,本集團亦涉及綜合財務報表附註32所詳述的多項申索及糾紛。

上述狀況顯示存有重大不明朗因素,或會令本集團持續經營的能力產生重大疑慮,導致本集團或無法在日常業務過程中將其資產變現及償還其負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (1) On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of HK\$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling approximately HK\$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:
 - approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

鑒於該等狀況，本公司董事在評核本集團是否有充足的財務資源以持續經營時，已審慎考慮本集團未來流動資金及表現以及其可得之融資來源。本集團已採取若干措施以減輕流動資金的壓力並改善其財務狀況，其中包括以下各項：

- (1) 於二零一六年三月五日，本公司及一名潛在投資者（「潛在投資者」或「認購方」）訂立一項股份認購協議，以按每股0.1876港元的認購價認購本公司合共1,465,898,410股新普通股（「認購股份」），建議所得款項總額合共約2.75億港元（「認購事項」），惟須受若干先決條件規限，包括但不限於以下各項：
 - 在本公司股東特別大會（「股東特別大會」）上就下列事項取得本公司股東或獨立股東（按適當）的批准：
 - (i) 配發及發行認購股份；
 - (ii) 清洗豁免；及
 - (iii) 特別交易（定義見下文）；

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(1) (Continued)

- Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;
- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");
- approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(1) (續)

- 香港證券及期貨事務監察委員會(「證監會」)就認購方及其一致行動人士的責任授出清洗豁免，豁免彼等因認購事項可能引致須就認購方及其一致行動人士尚未擁有(或同意將予收購)的本公司所有已發行股份及其他有關證券提出強制性全面現金要約；
- 證監會同意利用下述建議債務重組項下認購事項的所得款項，向身為本公司股東的任何債權人作出還款(「特別交易」)；
- 聯交所批准本公司股份恢復買賣及認購股份上市；及

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(1) (Continued)

- completion of a debt restructuring by the Company by way of the “Schemes” (Note) (the “Debt Restructuring Proposal”). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

In respect of the above, the Company appointed a financial advisor and debt restructuring scheme advisor to facilitate the Subscription and Debt Restructuring Proposal.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(1) (續)

- 本公司透過「計劃」(附註)完成債務重組(「債務重組建議」)。債務重組指本公司的債項重組計劃，當中涉及(其中包括)：(i)削減及註銷該等債券的未償還本金額至少80%；(ii)削減及註銷該等債券所有未償還應計利息；(iii)解除及免除就12%票面息優先債券及8%票面息可換股債券提供的所有抵押品；及(iv)削減及註銷債務重組建議所述的本公司所有其他債項及或然負債至少80%。

就以上事項而言，本公司已委任財務顧問及債務重組計劃顧問以落實認購事項及債務重組建議。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(1) (Continued)

At the meetings of the holders of the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds held on 21 June 2016 and 6 July 2016, respectively, separate extraordinary resolutions ("Extraordinary Resolutions") were passed and resolved, among others, to approve the Debt Restructuring Proposal, not to enforce any security of the Bonds until approval of the Schemes and release the security as required under the Schemes following the Schemes becoming effective, vote the entire principal amount in favour of the Schemes at the meetings of the Schemes, waive any event of default or potential event of default which might or has occurred and not to demand repayment of any amount due under the Bonds.

Following the passing and effectiveness of the Extraordinary Resolutions by 6 July 2016, the Company is preparing the necessary documents to submit to the courts for the relevant creditors' approval and court sanction for the Cayman Scheme and the Hong Kong Scheme under the Debt Restructuring Proposal.

The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.

Note:

The proposed scheme of arrangement pursuant to Section 86 of the Companies Law (2007 Revision) of the Cayman Islands between the Company and the creditors under such scheme (the "Cayman Scheme") and the proposed scheme of arrangement of pursuant to Sections 670, 673 and 674 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) between the Company and the creditors under such scheme (the "Hong Kong Scheme"), collectively are referred to as the "Schemes".

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(1) (續)

分別於二零一六年六月二十一日及二零一六年七月六日舉行的12%票面息優先債券及8%票面息可換股債券持有人會議上，通過獨立特別決議案（「特別決議案」）及決議（其中包括）批准債務重組建議，在計劃獲批准之前不就債券執行任何抵押並根據計劃的規定在計劃生效後解除抵押，於計劃大會上以全部本金額投票贊成計劃，豁免任何可能發生或已發生的違約事件或潛在違約事件以及不要求償還任何逾期的該等債券款項。

於二零一六年七月六日特別決議案獲通過及生效後，本公司正在準備需呈交法院之文件，以獲得債務重組建議下開曼計劃及香港計劃之相關債權人批准及法院批准。

本公司亦正積極與本公司的其他債權人磋商簽立債務重組建議。

附註：

本公司與建議安排計劃（「開曼群島計劃」）項下的債權人根據開曼群島公司法（二零零七年修訂版）第86條訂立的該計劃以及本公司與建議安排計劃（「香港計劃」）項下的債權人根據（香港法例第622章）公司條例第670、673及674條訂立的該計劃（統稱為「計劃」）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

- (2) In relation to the secured bank loan of HK\$95,811,000 which contains a repayable on demand clause, the Group is actively negotiating with the bank for waiver of the relevant clause and renewal of the loan, including extension of the related interest payments.
- (3) In relation to the syndicated bank loan and the bank loan under the Unsecured Loan Facility to the extent of HK\$568,409,000 and HK\$404,777,000, respectively, the Group is actively negotiating with the respective banks for the waiver of the breach of the undertaking and restrictive covenant requirements; and the renewal of these loans, including extension of the related interest payments.
- (4) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in SEAM, a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US\$150 million (approximately HK\$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of these consolidated financial statements. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed. The Group is currently negotiating with Beijing Wincapital to modify the structure and detailed terms of the disposal on equity interest in SEAM.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

- (2) 就載有按要價還條款的有抵押銀行貸款95,811,000港元而言，本集團正積極就豁免相關條款及重續貸款（包括延遲相關利息付款）與銀行磋商。
- (3) 就分別為568,409,000港元及404,777,000港元的無抵押貸款融資項下的銀團貸款及銀行貸款而言，本集團正積極就豁免違反承諾及限制性契諾規定；及重續該等貸款（包括延遲相關利息付款）與各銀行磋商。
- (4) 於二零一三年一月二十一日，本集團與北京匯贏創業投資有限公司（「北京匯贏」）訂立有關出售本集團全資附屬公司南洋礦業30%股權的無約束力框架協議。總出售代價預計約為1.50億美元（約11.70億港元）。直至該等財務報表獲批准日期，此項建議交易尚未完成，亦未訂立任何正式買賣協議。自框架協議簽署後，由於南洋礦業的經營及規管環境急速轉變，故此商討條款及條件細節所耗時間較預期長。本集團現時正在與北京匯贏磋商，以修改出售南洋礦業股權之架構及詳細條款。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(4) (Continued)

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group ("Financing Loans"), which can be settled by offsetting against the disposal consideration should the proposed disposal be completed, details of which are disclosed in Note 27(d).

During the year ended 31 December 2017, a loan arranged by Beijing Wincapital of RMB200,000,000 (equivalent to HK\$239,263,000) has been novated to Henan Pingyuan Holding Group Co., Ltd ("河南平原控股集團股份有限公司" or "Pingyuan"), details of which are disclosed in Notes 27(d) and 27(f).

As at 31 December 2018, the outstanding Financing Loans amounted to approximately RMB200 million (equivalent to HK\$228,258,000) were overdue for repayments. Up to the date of approval of the consolidated financial statements, the Group has not received any letter from the lender demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayment of these borrowings to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for all relevant parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(4) (續)

就此項建議出售事項而言，北京匯贏為本集團安排若干貸款融資（「融資貸款」）。倘建議出售事項得以完成，融資貸款可藉抵銷出售代價償付，有關詳情於附註27(d)內披露。

於截至二零一七年十二月三十一日止年度，北京匯贏安排之貸款人民幣200,000,000元（相當於239,263,000港元）已更替予河南平原控股集團股份有限公司（「平原」），有關詳情於附註27(d)及27(f)內披露。

於二零一八年十二月三十一日，未償還的融資貸款約人民幣2.00億元（相等於約228,258,000港元）已逾期償還。直至該等財務報表獲批准日期，本集團尚未接獲任何放貸人要求償還該等貸款之函件。管理層現正與相關訂約方進行磋商，以正式延長該等借貸之還款期，以促使完成建議出售事項。管理層相信所有相關訂約方具有真誠意向，建議出售事項將會完成，而本集團將可以出售代價抵銷所有該等借貸。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

(4) (Continued)

On each of 11 March 2018 and 8 June 2018, the Group entered into a sale and purchase agreement with Mr. Sun Gang ("Mr. Sun"), who is also a substantial shareholder of Pingyuan, pursuant to which the Group agreed to sell an aggregate 14% equity interest in SEAM to Mr. Sun at an aggregate consideration of RMB420,000,000 (equivalent to approximately HK\$479,343,000) conditional upon, amongst others, obtaining approval from shareholders of the Company at an extraordinary general meeting and resumption of trading of the Company's shares.

- (5) Apart from the borrowings mentioned in (1) to (4) above, the Group had other borrowings from certain related parties of the Group, the Potential Investor, related parties of the Potential Investor and other third parties (secured and unsecured) of HK\$88,809,000, HK\$225,976,000, HK\$300,057,000 and HK\$184,611,000, respectively that were either overdue or due for immediate repayment as at 31 December 2018. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor for a term of 2 years is currently under discussion.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

(4) (續)

於二零一八年三月十一日及二零一八年六月八日各日，本集團與孫罡先生（「孫先生」）（彼亦為平原之主要股東）訂立買賣協議，據此，本集團同意向孫先生出售南洋礦業之合共14%股本權益，總代價為人民幣420,000,000元（相當於約479,343,000港元），須待（其中包括）於股東特別大會上取得本公司股東批准及本公司股份恢復買賣後，方可作實。

- (5) 除上述第(1)至(4)所述之借貸外，本集團來自本集團的若干關連方、潛在投資者、潛在投資者的關連方及其他第三方（有抵押及無抵押）的其他借貸分別為88,809,000港元、225,976,000港元、300,057,000港元及184,611,000港元，於二零一八年十二月三十一日均已逾期或到期立即償還。本集團一直積極與放債人磋商重續及延長該等借貸的還款日期，目前正在討論將潛在投資者的關連方的借貸還款日期延長2年。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

- (6) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.
- (7) The Group is also maximizing its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, exploring new business opportunities and implementing more stringent cost control measures with a view to improving operating cash flows. The Group has also engaged in providing sub-contracting services to external customers since 2017 and entered into a cooperation agreement with a potential business partner in August 2018 to better utilise the Group's production capacities. Management believes that the Group will be able to record a significant increase in revenue in the coming twelve months after the reporting period.
- (8) The Group has engaged legal advisors to handle all claims and disputes as detailed in Note 32 to the consolidated financial statements. In preparing these consolidated financial statements, the directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes, with no significant cash outflows in the next twelve months.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

- (6) 本集團亦正與多間財務機構進行磋商，並物色於可見將來為本集團營運資金及承擔融資的不同方案，包括物色潛在投資者對本集團正進行之多個項目作出投資。
- (7) 本集團亦正致力提升銷售力度，包括加快現有存貨銷售並於海外市場尋求新訂單或就開發新產品尋求新客戶，採索新業務機會，以及實施更嚴謹的成本監控措施，以改善經營現金流量。本集團亦自二零一七年起從事提供向外部客戶提供鋼鐵製品加工服務，並於二零一八年八月與潛在業務夥伴訂立合作協議，以更佳利用本集團之產能。管理層相信，本集團將能於報告期後的未來十二個月錄得收益大幅增長。
- (8) 本集團已委聘法律顧問處理綜合財務報表附註32所詳述的所有申索及糾紛。於編製該等綜合財務報表時，董事亦已就該等事宜取得法律顧問的意見，據此，董事認為，本集團將能解決該等待決申索及糾紛且於未來十二個月內不會導致巨額現金流出。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from the end of the reporting period and considered that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period, and therefore it is appropriate to prepare the consolidated financial information on a going concern basis.

Notwithstanding the above, significant multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to manage its indebtedness, and generate adequate financing and operating cash flows through:

- (1) successful completion of the issuance of the Subscription Shares after fulfilling all conditions precedent as detailed, but not limited to, above and in particular by the successful completion of the Debt Restructuring Proposal;
- (2) successful negotiation with the banks for the waiver of the repayable on demand clause and breach of the undertaking and restrictive covenant requirements, and the renewal of these loans totalling HK\$1,068,997,000; together with the extension of the related overdue interest expense totalling HK\$77,157,000 up to 31 December 2018 and any further default in repayment of principal and interest after the year end date;

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

董事已審閱由管理層編製的本集團現金流量預測，其涵蓋的期間自報告期末起計不少於十二個月，考慮到上述計劃及措施，董事認為本集團將有充足的營運資金應付自報告期末起計未來十二個月內營運所需的資金以及履行到期的財務責任。因此，按持續經營基準編製綜合財務資料屬恰當。

儘管如此，本公司管理層能否達成上述計劃及措施仍存有多項重大不明朗因素。本集團能否持續經營將視乎本集團能否成功管理其債項及通過以下方法產生充足的融資及經營現金流量：

- (1) 在達成所述（但不限於）上述所有先決條件（尤其是透過成功完成債務重組建議）後，成功完成發行認購股份；
- (2) 成功與各銀行磋商豁免按要求償還條款及違反承諾及限制性契諾規定，以及重續合共為1,068,997,000港元之該等貸款連同延遲直至二零一八年十二月三十一日之相關逾期利息開支合共77,157,000港元及於年結日後之任何進一步拖欠償還本金及利息；

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

- (3) successful negotiation with the financiers to extend the repayment date of a loan arranged by Beijing Wincapital (see Note 27(d)) of RMB200 million (equivalent to HK\$228,258,000) until completion of the proposed disposal of interest in SEAM under the above-mentioned framework agreement at the prescribed consideration and be able to collect the disposal consideration in full immediately upon completion of the transaction after properly offsetting the above-mentioned borrowings of approximately RMB200 million;
- (4) successful completion of the disposal of an aggregate 14% equity interest in SEAM to Mr. Sun under the above-mentioned sale and purchase agreements at the prescribed consideration and be able to collect the disposal consideration of RMB420,000,000 (equivalent to HK479,343,000) in full immediately upon completion of the transactions;
- (5) successful negotiation with the related parties of the Group, the Potential Investor, related parties of the Potential Investor and other third party lenders for extension of their relevant borrowings by maintaining relationship with them, and such that no action will be taken by those lenders to demand immediate repayment of the overdue borrowings under negotiation;

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

- (3) 成功與融資方磋商延長由北京匯贏(見附註27(d))安排之人民幣2.00億元(相當於228,258,000港元)貸款的還款日期,直至根據上述框架協議按指定代價完成建議出售南洋礦業及於緊隨交易完成後能夠於適當地抵銷約人民幣2.00億元之上述借貸後全數收取出售代價為止;
- (4) 成功根據上述買賣協議按指定代價完成向孫先生出售南洋礦業之合共14%股權,並能夠於緊隨交易完成後全數收取出售代價人民幣420,000,000元(相當於479,343,000港元);
- (5) 成功與本集團的關連方、潛在投資者、潛在投資者的關連方及其他第三方放貸人磋商延長其相關借貸的期限,並與彼等維持關係,致使該等放貸人不會採取行動以要求即時償還磋商中之逾期借貸;

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Going concern (Continued)

- (6) successful negotiation with the lenders for obtaining additional new financing and other sources of funding as and when required;
- (7) successful implementation of its operation plans described above to control costs and generate more revenue for adequate operating cash flows; and
- (8) successful resolution of the outstanding claims and disputes, and without significant cash outflows in the next twelve months.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(b) Changes in accounting policy and disclosures

(1) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 – *Financial Instruments*
- IFRS 15 – *Revenue from Contracts with Customers*

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(a) 持續經營 (續)

- (6) 成功與放貸人磋商獲取額外之新融資及其他資金來源 (如需要) ;
- (7) 成功實施上述經營計劃, 以控制成本及就充足經營現金流量產生更多收益; 及
- (8) 成功解決待決申索及糾紛且於未來十二個月內毋須導致巨額的現金流出。

倘若本集團未能達成上述計劃及措施, 其可能無法繼續按持續經營基準營運, 並須作出調整以將本集團資產的賬面值撇減至其可收回金額、就可能產生之任何進一步負債作出撥備, 以及將非流動資產及非流動負債分別重新分類為流動資產及流動負債。該等調整之影響並未反映於該等綜合財務報表內。

(b) 會計政策及披露之變動

(1) *本集團採納之新訂及經修訂準則*

本集團自二零一八年一月一日開始之年度報告期間首次應用以下準則及修訂:

- 國際財務報告準則第9號 – *金融工具*
- 國際財務報告準則第15號 – *來自客戶合約的收益*

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) New and amended standards adopted by the Group (Continued)

- Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 – *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Amendments to IFRS 15 – *Clarifications to IFRS 15*
- Amendments to IFRSs – *Annual Improvements 2014-2016 cycle*
- Amendments to IAS 40 – *Transfers of Investment Property*
- Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*

The Group had to change its accounting policies and make retrospective adjustments, where relevant, as a result of adopting IFRS 9 and IFRS 15. The impact of the adoption of these standards are disclosed below. Reclassification of impairment losses on financial assets is also required as a result of consequential changes made to IAS 1 Presentation of Financial Statements. Impairment losses on financial assets that were previously classified as administrative expenses are now presented separately in the consolidated income statement.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

- 國際財務報告準則第2號(修訂本) – 以股份為基礎的付款交易的分類及計量
- 國際財務報告準則第4號(修訂本) – 於應用國際財務報告準則第4號保險合約時一併應用國際財務報告準則第9號金融工具
- 國際財務報告準則第15號(修訂本) – 澄清國際財務報告準則第15號
- 國際財務報告準則(修訂本) – 二零一四年至二零一六年週期之年度改進
- 國際會計準則第40號(修訂本) – 轉讓投資物業
- 詮釋第22號 – 外幣交易及預付代價

由於採納國際財務報告準則第9號及國際財務報告準則第15號，本集團須更改其會計政策及作出追溯調整(如有關)。採用該等準則之影響於下文披露。由於對國際會計準則第1號呈列財務報表作出相應變動，亦須重新分類金融資產之減值虧損。先前分類為行政開支之金融資產之減值虧損現時於綜合收益表獨立呈列。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

Saved as disclosed below, the adoption of other amendments on standards and interpretation did not have any material impact on the consolidated financial statements of the Group for the year.

(a) Adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 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 IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The new accounting policies are set out in Notes 2.11 and 2.14 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

除下文所披露者外，採納其他準則及詮釋修訂對年內之本集團綜合財務報表並無產生任何重大影響

(a) 採納國際財務報告準則第9號

國際財務報告準則第9號取代國際會計準則第39號有關金融資產及金融負債確認、分類及計量、終止確認金融工具、金融資產減值及對沖會計的條文。

由二零一八年一月一日起採納國際財務報告準則第9號導致會計政策變動及調整於綜合財務報表確認的金額。新訂之會計政策載於下文附註2.11及2.14。根據國際財務報告準則第9號之過渡性條文，並無重列比較數字。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(a) Adoption of IFRS 9 (Continued)

Classification and measurement of financial instruments

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. There were no impact on the amounts recognised in relation to these assets from the adoption of IFRS 9.

There is also no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

Impairment of financial assets

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

- trade receivables
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(a) 採納國際財務報告準則第9號 (續) 金融工具分類及計量

於二零一八年一月一日 (首次應用國際財務報告準則第9號日期)，管理層已評估適用於本集團持有的金融資產的業務模式，並將其金融工具分類至合適國際財務報告準則第9號類別。採納國際財務報告準則第9號對就該等資產確認之金額並無影響。

由於新規定僅影響指定為按公允價值計入損益的金融負債，而本集團並無任何該等負債，故其對本集團有關金融負債的會計處理並無影響。

金融資產減值

本集團有兩類涉及國際財務報告準則第9號的新預期信貸虧損模式的金融資產：

- 應收賬款
- 按攤銷成本計量之其他金融資產

本集團須根據國際財務報告準則第9號修訂其有關各該等類別資產的減值方法。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) New and amended standards adopted by the Group (Continued)

(a) Adoption of IFRS 9 (Continued)

Impairment of financial assets (Continued)

(i) Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

The Group has assessed the expected credit loss model applied to the trade receivables as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. The adoption of expected loss approach under IFRS 9 has not resulted in any material additional impairment loss for trade receivables as at 1 January 2018.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(a) 採納國際財務報告準則第9號 (續) 金融資產減值 (續)

(i) 應收賬款

本集團應用國際財務報告準則第9號指定的簡化方法計提預期信貸虧損，其允許就所有應收賬款使用全期預期虧損。為計量預期信貸虧損，已根據共用信貸風險特徵將應收賬款分組。各組應收款項的未來現金流量乃根據過往虧損經驗而定，並作出調整以反映現時狀況以及前瞻性資料。

本集團已評估於二零一八年一月一日的適用於應收賬款的預期信貸虧損模型，而減值方法變動並無對本集團的綜合財務報表造成任何重大影響，且並無就此重列期初虧損撥備。採納國際財務報告準則第9號的預期虧損法並無導致於二零一八年一月一日的應收賬款的任何重大額外減值虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(a) Adoption of IFRS 9 (Continued)

Impairment of financial assets (Continued)

(ii) Other financial assets at amortised cost

For other financial assets at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is relatively insignificant.

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

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(a) 採納國際財務報告準則第9號 (續)

金融資產減值 (續)

(ii) 按攤銷成本計量之其他金融資產

就按攤銷成本計量之其他金融資產而言，預期信貸虧損根據12個月預期信貸虧損釐定。其為於報告日期後12個月內金融工具可能違約事件產生的全期預期信貸虧損的部分。然而，當自產生以來信貸風險顯著增加時，撥備將以全期預期信貸虧損為基準。管理層已密切監察按攤銷成本計量之其他金融資產的信貸質素及可收回程度，並認為預期信貸虧損相對並不重大。

儘管現金及現金等值物亦須遵守國際財務報告準則第9號之減值規定，惟已識別之減值虧損並不重大。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(b) Adoption of IFRS 15

IFRS 15 establishes a comprehensive framework for recognizing revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specified the accounting for construction contracts. The Group has elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號

國際財務報告準則第15號建立確認來自客戶合約之收益及若干成本之全面框架。國際財務報告準則第15號取代國際會計準則第18號收益(其涵蓋銷售貨品及提供服務產生之收益)及國際會計準則第11號建設合約(其指定建設合約之會計處理)。本集團已選擇使用經修改追溯法,意味著採納的累計影響將於二零一八年一月一日的保留盈利確認。因此,比較資料並未重列及繼續根據國際會計準則第18號呈報。按國際財務報告準則第15號所允許,本集團僅對於二零一八年一月一日前並未完成之合約應用新規定。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(b) Adoption of IFRS 15 (Continued)

- (i) Timing of revenue recognition
- Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號 (續)

- (i) 收益確認時間
- 以往，銷售貨品的收益通常於與貨品擁有權有關的風險及回報轉移至客戶的時間點確認。根據國際財務報告準則第15號，收益於客戶取得合約內已承諾貨品或服務之控制權時確認。此可能為單一時間點或於一段時間內。國際財務報告準則第15號已識別下列三種已承諾貨品或服務的控制權被視為於一段時間內轉移的情況：

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(b) Adoption of IFRS 15 (Continued)

(i) Timing of revenue recognition (Continued)

- When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;
- When the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- When the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號 (續)

(i) 收益確認時間 (續)

- 當客戶在本集團履約的同時取得及消耗本集團履約所帶來的利益；
- 當本集團履約創造或改良一項於資產被創造或改良時由客戶所控制的資產；或
- 當本集團履約並無創造對本集團而言具替代用途的資產，且本集團對迄今完成的履約付款具有可強制執行權利。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(b) Adoption of IFRS 15 (Continued)

(i) Timing of revenue recognition (Continued)

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under IFRS 15 the Group recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of IFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's retained earnings as at 1 January 2018.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號 (續)

(i) 收益確認時間 (續)

倘合約條款及本集團的活動不屬於上述三種情況的任何一種，則根據國際財務報告準則第15號，本集團在某一時間點（即控制權轉移時）就銷售相關貨品或服務確認收益。轉移所有權風險及回報僅為決定控制權何時轉移時考慮的其中一項指標。採納國際財務報告準則第15號並無對本集團於期內之財務狀況及營運業績造成重大影響。其對本集團於二零一八年一月一日之保留盈利亦無重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

- (1) *New and amended standards adopted by the Group (Continued)*
- (b) Adoption of IFRS 15 (Continued)

(ii) Presentation of contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceed the measure of the remaining unsatisfied performance obligations. The impact on the Group's financial position by the application of IFRS 15 as compared to IAS 18 that was previously in effect before the adoption of IFRS 15 is as follows:

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

- (1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號 (續)

- (ii) 呈列合約資產及負債
- 與客戶訂立合約後，本集團取得從客戶收取代價的權利，並承擔向客戶轉讓貨品或服務的履約義務。該等權利及履約義務結合導致淨資產或淨負債，視乎餘下權利與履約義務之間的關係而定。倘收取代價之餘下有條件權利的計量超過已達成之履約義務，則合約為一項資產，並確認為合約資產。相反，倘已自客戶收取之代價（或到期代價金額）超過餘下未達成履約義務的計量，則合約為一項負債，並確認為合約負債。應用國際財務報告準則第15號與國際會計準則第18號（先前於採納國際財務報告準則第15號前生效）比較對本集團之財務狀況之影響如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(1) *New and amended standards adopted by the Group (Continued)*

(b) Adoption of IFRS 15 (Continued)

(ii) Presentation of contract assets and liabilities (Continued)

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

(1) 本集團採納之新訂及經修訂準則 (續)

(b) 採納國際財務報告準則第15號 (續)

(ii) 呈列合約資產及負債 (續)

As at 1 January 2018
於二零一八年一月一日

		As previously stated 按先前呈列 HK\$'000 千港元	Reclassification under IFRS 15 根據國際財務 報告準則第15號 重新分類 HK\$'000 千港元	As restated 經重列 HK\$'000 千港元
Consolidated Statement of Financial Position (Extract)	綜合財務狀況表 (摘錄)			
Current liabilities:	流動負債:			
Other payables and accruals	其他應付款項及應計負債	34,799	(34,799)	-
Other payables and accruals - Contract liabilities	其他應付款項及應計負債 - 合約負債	-	34,799	34,799
		34,799	-	34,799

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

- (2) *Impact of standards issued but not yet applied by the Group*
IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated 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 Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments in respect of certain properties of HK\$4,444,000. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be recognised, after taking into account the effects of discounting, as at 1 January 2019. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

- (2) 已頒佈但本集團尚未應用之準則之影響
國際財務報告準則第16號租賃
國際財務報告準則第16號於二零一六年一月頒佈。由於有關準則移除經營及融資租賃的區分，其將令近乎所有租賃均於綜合財務狀況表內確認。根據該項新準則，須確認資產（使用租賃項目的權利）及支付租金的金融負債。當中僅有的例外情況為短期及低價值租賃。

出租人的會計處理方法並無重大變動。

該準則將主要影響本集團經營租賃的會計處理。於二零一八年十二月三十一日，本集團就若干物業有不可撤銷經營租賃承擔4,444,000港元。於初次採納國際財務報告準則第16號時，將確認租賃負債於二零一九年一月一日的期初結餘及相應使用權資產（經計及貼現影響）。應用新會計模式預期將導致資產及負債增加，並影響於租賃期間於損益確認開支的時間。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Changes in accounting policy and disclosures (Continued)

- (2) *Impact of standards issued but not yet applied by the Group (Continued)*
IFRS 16 Leases (Continued)

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

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

2 主要會計政策概要 (續)

2.1 編製基準 (續)

(b) 會計政策及披露之變動 (續)

- (2) 已頒佈但本集團尚未應用之準則之影響 (續)
國際財務報告準則第16號租賃 (續)

本集團仍未評估是否有必要就租期定義的變更、可變租金付款、續租及終止選擇權的不同處理方法等作出變動 (如有)。因此，現時不可能估計於採納新準則時將須確認的使用權資產及租賃負債金額，以及其於往後對本集團損益及現金流分類可能造成的影響。

國際財務報告準則第16號於二零一九年一月一日或之後開始的財政年度強制應用。本集團將自強制採納日期起應用有關準則。本集團擬應用簡化過渡方法，並且不會重列首次採納前一個年度的比較數字。

並無其他尚未生效但預期會對實體於當前或未來報告期間或對可見將來的交易有重大影響的準則及詮釋。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associated companies

Associated companies are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

2 主要會計政策概要（續）

2.2 綜合原則及權益會計處理

(a) 附屬公司

附屬公司指本集團有控制權的所有實體。本集團可控制一實體當通過參予該實體從而享有不同回報的權利或風險及運用其對實體活動的主導權以影響回報金額。附屬公司在控制權轉移至本集團當日開始全面綜合入賬。附屬公司在控制權終止日起從綜合賬內剔除。

本集團乃採用收購會計法為業務合併列賬。

集團內公司間交易、結餘及集團內公司間交易的未變現收益均予以對銷。除非該交易有證據顯示所轉讓資產出現減值，否則未變現虧損亦予抵銷。附屬公司的會計政策已在需要時作出調整，以確保與本集團所採納政策一致。

附屬公司業績及權益中的非控股權益分別於綜合收益表、綜合全面收益表、綜合權益變動表及綜合財務狀況表中單獨呈列。

(b) 聯營公司

聯營公司指本集團對其有重大影響力但無控制權或共同控制權的所有實體，本集團一般持有其20%至50%的投票權。於聯營公司的投資初步按成本確認後，乃以權益會計法入賬（請參閱下文(c)）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associated companies are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2 主要會計政策概要 (續)

2.2 綜合原則及權益會計處理 (續)

(c) 權益會計處理

根據權益會計法，投資均初步按成本確認，其後予以調整，於綜合收益表中確認本集團分佔獲投資公司的收購後溢利或虧損，並在其他全面收益中確認本集團分佔獲投資公司的其他全面收益變動。已收或應收聯營公司之股息均確認為投資賬面值之減少。

如本集團分佔一項按權益入賬投資的虧損等於或超過其於該實體的權益，包括任何其他無抵押長期應收款項，則本集團不會確認進一步虧損，除非本集團代其他實體承擔責任或支付款項。

本集團與其聯營公司之間交易的未變現收益以本集團於該等實體的權益為限予以對銷。除非有關交易提供已轉讓資產減值之證據，否則未變現虧損亦予以對銷。按權益入賬的獲投資公司的會計政策已按需要作出改變，以確保與本集團所採納的政策保持一致。

按權益入賬投資的賬面值均根據附註2.10中所載政策進行減值測試。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(d) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated income statement. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 主要會計政策概要（續）

2.2 綜合原則及權益會計處理（續）

(d) 所有權權益變動

本集團將不導致喪失控制權的非控股權益交易視作與本集團權益擁有人的交易。所有權權益變動導致控股與非控股權益賬面值的調整，以反映其於附屬公司的相關權益。非控股權益調整數額與任何已付或已收代價之間的任何差額於本公司擁有人應佔權益中的獨立儲備內確認。

當本集團因喪失控制權或重大影響力而停止綜合入賬或按權益入賬一項投資時，於實體的任何保留權益重新按公允價值計量，而賬面值變動於綜合收益表確認。就其後入賬列作聯營公司、合營企業或金融資產的保留權益而言，該公允價值為初始賬面值。此外，先前於其他全面收益就該實體確認的任何金額按猶如本集團已直接出售有關資產或負債的方式入賬。這可能意味著先前於其他全面收益確認的金額重新分類至損益或轉撥至適用國際財務報告準則所指明／許可的另一權益類別內。

倘於一間聯營公司的所有權權益減少但保留重大影響力，則先前於其他全面收益確認的金額僅有一定比例份額重新分類至損益（如適用）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

2 主要會計政策概要 (續)

2.3 業務合併

本集團採用收購會計法將所有業務合併入賬，不論是否已收購權益工具或其他資產。收購一間附屬公司轉讓的代價包括：

- 所轉讓資產的公允價值
- 被收購業務之前擁有人所產生負債
- 本集團已發行股本權益
- 或然代價安排所產生任何資產或負債的公允價值，及
- 附屬公司任何先前存在的股本權益的公允價值。

在業務合併中所收購的可識別資產以及所承擔的負債及或然負債，首先以其於收購日期的公允價值計量（少數例外情況除外）。本集團以逐項收購基準，按公允價值或按非控股權益所佔被收購實體可識別資產淨值的比例確認於被收購實體的任何非控股權益。

收購相關成本於產生時支銷。

- 所轉讓代價、
- 被收購實體之任何非控制性權益金額，以及
- 任何先前於被收購實體之股權於收購日期之公允價值

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated income statement.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 主要會計政策概要 (續)

2.3 業務合併 (續)

超逾所收購可識別資產淨值公允價值之差額，乃入賬列作商譽。倘該等款項低於所收購業務的可識別資產淨值的公允價值，則差額將直接於綜合收益表中確認為議價購買。

或然代價分類為權益或金融負債。分類為金融負債的金額其後將重新按公允價值計量，而公允價值變動於綜合收益表中確認。

倘業務合併分階段進行，則收購方先前持有的被收購方股本權益於收購日期的賬面值重新按於收購日期公允價值計量。任何因該項重新計量產生的收益或虧損於綜合收益表中確認。

2.4 獨立財務報表

於附屬公司之投資乃按成本減減值入賬。成本包括投資直接應佔成本。附屬公司之業績乃由本公司按已收及應收股息之基準入賬。

倘股息超出宣派股息期間該附屬公司之全面收益總額，或倘獨立財務報表之投資賬面值超出綜合財務報表所示被投資公司資產淨值（包括商譽）之賬面值，則須於收取來自該等投資之股息時對該等附屬公司之投資進行減值測試。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operations decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying net investment hedges.

All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains, net".

2 主要會計政策概要 (續)

2.5 分部報告

經營分部之呈報方式與向主要經營決策者呈報內部報告之方式一致。負責分配資源及評估經營分部之表現之主要經營決策者已被確定為作出戰略性決策之本公司執行董事。

2.6 外幣換算

(a) 功能及呈報貨幣

本集團旗下每個實體之財務報表所包括之項目，均以該實體之主要營運經濟環境之貨幣（「功能貨幣」）計算。綜合財務報表乃以港元呈報，港元為本公司之功能貨幣及本集團之呈報貨幣。

(b) 交易及結餘

外幣交易均按交易當日或項目重新計量之估值日期之匯率換算為功能貨幣。此等交易結算以及按年結日之匯率換算以外幣計值之貨幣資產及負債而產生之外匯收益及虧損，均於收益表內確認，惟於權益內遞延作合資格投資淨額的對沖除外。

所有其他外匯收益及虧損呈列於綜合收益表內「其他盈利淨額」項下。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 主要會計政策概要 (續)

2.6 外幣換算 (續)

(c) 集團公司

本集團旗下所有實體如有與呈報貨幣不同之功能貨幣 (其中並無任何實體有通脹嚴重之經濟體系之貨幣)，其業績及財務狀況均按以下方法換算為呈報貨幣：

- (i) 每項財務狀況表所呈列之資產及負債均按照報告期末之結算日匯率換算；
- (ii) 每項收益表之收入及支出均按照平均匯率換算，除非此平均匯率並非各交易日匯率之累積影響之合理近似值，於該情況下，收入及支出則按交易日匯率換算；及
- (iii) 所有產生之匯兌差額均於其他全面收益中確認。

於綜合賬目時，換算境外實體任何投資淨額及借貸產生之匯兌差額於其他全面收益內確認。於出售海外業務或償還組成投資淨額一部分之任何借貸時，相關匯兌差額重新分類至綜合收益表，作為出售收益或虧損之一部分。

因收購海外實體而產生的商譽及公允價值調整均作為有關海外實體的資產與負債，並按結算日匯率換算。所產生之貨幣匯兌差額於其他全面收益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to the consolidated income statement.

2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

2 主要會計政策概要 (續)

2.6 外幣換算 (續)

(d) 出售海外業務及部份出售

於出售海外業務(即出售本集團於海外業務之全部權益或涉及喪失對某一包含海外業務附屬公司控制權之出售,或涉及喪失對某一包含海外業務聯營公司重大影響力之出售)時,與該業務相關並歸屬於本公司權益持有人之所有於權益中累計之貨幣匯兌差額均重新分類至損益。

倘此乃部份出售並不導致本集團喪失包含海外業務附屬公司的控制權,該累計貨幣匯兌差額之應佔比例重新歸屬予非控股權益及不會於收益表確認。就所有其他之部份出售(即不會導致本集團喪失重大影響力之聯營公司之部份出售),該累計匯兌差額之應佔比例則須重新分類至綜合收益表。

2.7 物業、廠房及設備

物業、廠房及設備(在建工程除外)按成本減累計折舊及減值虧損列賬。歷史成本包括收購該等項目直接應佔之開支。

其後成本只有在與該項目有關之未來經濟利益有可能流入本集團,而該項目之成本能可靠計量時,方計入資產之賬面值或確認為一項獨立資產(按適用情況而定)。取代部分之賬面值將終止確認。所有其他維修及保養成本於產生之財政期間在綜合收益表扣除。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimate useful lives, as follows:

– Buildings	15-25 years
– Plant and machinery	8-15 years
– Office equipment	3-5 years
– Motor vehicles and other	5-25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of buildings, the costs of plant and machinery and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 主要會計政策概要 (續)

2.7 物業、廠房及設備 (續)

折舊於其估計可用年期內將其成本值按直線法攤分其剩餘價值計算，如下所示：

– 樓宇	15-25年
– 廠房及機器	8-15年
– 辦公室設備	3-5年
– 車輛及其他	5-25年

資產的剩餘價值及可使用年期在每個報告期末進行檢討，並在適當時調整。

若資產之賬面值高於其估計可收回金額，其賬面值即時撇減至可收回金額（附註2.10）。

出售收益及虧損按所得款項與賬面值的差額釐定，並在綜合收益表內的「其他盈利淨額」項下確認。

在建工程為建設中及需要安裝的樓宇、廠房及機器，按照成本扣除累計減值虧損列賬。成本包括興建樓宇的成本、廠房及機器成本，以及（如為合資格資產）按本集團會計政策資本化的借款成本。在建工程不計提折舊，直至有關資產完工並可供擬定用途。當有關資產可供使用時，其成本按上述政策轉撥至物業、廠房及設備，並計提折舊。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Prepaid land lease payments

Prepaid land lease payments are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 20 to 50 years. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the period of leases.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial reporting date.

Exclusive offtake right

The exclusive offtake right represents the exclusive right to purchase iron ore by the Group from an iron ore supplier for a period of 28 years ending 24 January 2036. The exclusive offtake right is stated at cost less accumulated amortisation and any impairment losses. The exclusive offtake right is amortised based on the unit of purchase method.

2 主要會計政策概要（續）

2.8 預付土地租賃款項

預付土地租賃款項按成本減累計攤銷及累計減值虧損入賬。成本代表就不同廠房及樓宇所在土地的20至50年期間使用權支付的代價。預付土地租賃款項以直線法按租賃期攤銷。

2.9 無形資產

單獨收購的無形資產在初始確認時以成本計量。業務合併產生的無形資產成本為其在收購日的公允價值。無形資產使用期分為有限期或無限期。具有有限期之無形資產隨後按可使用經濟年期攤銷，並於有跡象顯示無形資產可能出現減值時評估減值。具有有限使用期之無形資產之攤銷年期及攤銷方法至少於每個財務報告日期末檢討。

獨家採購權

獨家採購權指本集團於截至二零三六年一月二十四日止28年內，向鐵礦石供應商採購鐵礦石之獨家權利。獨家採購權按成本減累計攤銷及任何減值虧損列賬。獨家採購權按單位採購量法計算攤銷。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Investments and other financial assets

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

2 主要會計政策概要（續）

2.10 非金融資產減值

無限期使用期限之無形資產或未能使用的無形資產不予攤銷，惟須每年進行減值測試。在某些事件發生或環境變化導致資產之賬面值可能無法回收時，予以攤銷之資產會進行減值審閱。當資產賬面值超出其可收回金額時，差額確認為減值虧損。可收回金額為資產公允價值減出售成本與使用價值兩者之較高者。就評估減值而言，資產按最低可獨立識別的現金流量水平（現金產生單位）歸類。除商譽外，倘非金融資產出現減值，則須於各報告日期檢討可能出現的減值撥回。

2.11 投資及其他金融資產

(a) 分類

自二零一八年一月一日起，本集團按以下的計量類別將其金融資產分類：

- 其後按公允價值計量（不論計入其他全面收益或計入損益）；及
- 按攤銷成本計量。

分類取決於實體管理金融資產的業務模式及現金流量的合約條款。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(a) Classification (Continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial asset carried at fair value through profit or loss are expensed in profit or loss.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(a) 分類 (續)

就按公允價值計量的資產而言，收益及虧損將於損益或其他全面收益列賬。就並非持作買賣的股本工具投資而言，將取決於本集團是否於初始確認時作出不可撤回選擇，將股本投資以按公允價值計入其他全面收益入賬。

本集團只限於當管理該等資產的業務模式改變時重新分類債務投資。

(b) 確認及終止確認

金融資產以正常方式進行之買賣均在交易日（即本集團承諾買賣資產之日）確認。當從金融資產收取現金流量之權利已經到期或轉讓，而本集團已將擁有權之絕大部分風險和回報轉讓時，該金融資產即終止確認。

(c) 計量

於初始確認時，本集團按金融資產的公允價值另加（倘為並非按公允價值計入損益之金融資產）直接歸屬於收購該金融資產的交易成本計量。按公允價值計入損益之金融資產的交易成本乃於損益支銷。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories to classify the debt instruments:

(1) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income, except for interest income generated from loan receivables which is included in revenue, using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement. Impairment losses are presented as separate line item in the consolidated income statement.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(c) 計量 (續)

確定具有嵌入衍生工具的金融資產的現金流量是否僅為支付本金和利息時，應整體考慮金融資產。

債務工具

債務工具的後續計量視乎本集團管理該資產之業務模式及該資產之現金流量特徵而定。本集團將債務工具分類為三個計量類別：

(1) 攤銷成本

倘為收取合約現金流量而持有之資產之現金流量僅為本金及利息付款，則該等資產按攤銷成本計量。該等金融資產之利息收入採用實際利率法計入財務收入，惟自應收貸款產生之利息收入則除外，其計入收益。終止確認產生之任何收益或虧損直接於綜合收益表中確認。減值虧損於綜合收益表內作為單獨項目列示。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

- (2) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment expenses are presented as separate line item in the consolidated income statement.

- (3) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(c) 計量 (續)

債務工具 (續)

- (2) 按公允價值計入其他全面收益

倘為收取合約現金流量及出售金融資產而持有之資產之現金流量僅為本金及利息付款，則該等資產按公允價值計入其他全面收益計量。賬面值變動乃透過其他全面收益確認，惟就確認減值收益或虧損而言，利息收入及外匯收益及虧損於綜合收益表確認。終止確認金融資產時，先前於其他全面收益確認之累計收益或虧損將自權益重新分類至損益。來自該等金融資產之利息收入採用實際利率法計入財務收入。減值開支於綜合收益表內作為單獨項目列示。

- (3) 按公允價值計入損益

不符合以攤銷成本計量或按公允價值計入其他全面收益的資產乃按公允價值計入損益計量。其後按公允價值計入損益計量的債務投資的收益或虧損於其產生期間在損益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debt instruments (Continued)

(3) Fair value through profit or loss (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains, net when the Group's right to receive payments is established.

Changes in the fair value of financial asset at fair value through profit or loss are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(c) 計量 (續)

債務工具 (續)

(3) 按公允價值計入損益 (續)

股本工具

本集團其後按公允價值計量所有股本投資。倘本集團管理層已選擇於其他全面收益呈列股本投資之公允價值收益及虧損，則於終止確認此類投資後，公允價值收益及虧損不再重新分類至損益。當本集團收取付款之權利確立時，此類投資之股息繼續於損益中確認為其他盈利淨額。

按公允價值計入損益的金融資產公允價值變動於綜合收益表確認為其他盈利淨額（如適用）。以按公允價值計入其他全面收益計量的股權投資的減值虧損（及撥回減值虧損）不會與其他公允價值變動分開呈報。

(d) 減值

自二零一八年一月一日起，本集團基於前瞻性考量，對與按攤銷成本列賬的債務工具相關的預期信貸虧損進行評估。所採用的減值方法取決於信貸風險是否已大幅增加。

就應收賬款而言，本集團採用國際財務報告準則第9號允許的簡化方法，規定於初次確認應收款項時確認全期預期虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Loans and receivables are carried at amortised cost using the effective interest method.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(e) 直至二零一七年十二月三十一日應用之會計政策

本集團已追溯應用國際財務報告準則第9號，惟選擇不重列比較資料。因此，所提供之比較資料繼續根據本集團之先前會計政策入賬。

直至二零一七年十二月三十一日，本集團將金融資產分類為貸款及應收款項。分類取決於收購金融資產之目的。管理層於初始確認時釐定其金融資產的分類。

(i) 後續計量

初始確認之計量並無因採納國際財務報告準則第9號而改變。貸款及應收款項乃採用實際利率法按攤銷成本列賬。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and other financial assets (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

(ii) Impairment

The Group assesses at each of the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 主要會計政策概要 (續)

2.11 投資及其他金融資產 (續)

(e) 直至二零一七年十二月三十一日應用之會計政策 (續)

(ii) 減值

本集團於各結算日評估是否存在客觀證據顯示金融資產或一組金融資產出現減值。只有於首次確認一項資產後發生一宗或多宗事件導致出現減值(「虧損事件」)的客觀證據,而該宗(或該等)虧損事件對金融資產或該組金融資產的估計未來現金流量已構成可合理估計的影響,該金融資產或該組金融資產則為出現減值及產生減值虧損。

按攤銷成本列賬之資產

就貸款及應收款項類別而言,虧損金額乃按資產賬面值與按金融資產原實際利率貼現的估計未來現金流量現值(不包括尚未產生的未來信貸虧損)間的差額計量。資產賬面值會予以削減,而虧損金額會於綜合收益表中確認。

若在往後期間,減值虧損的金額減少,而該減少客觀地與確認減值後發生的事件有關連(例如債務人信貸評級改善),則之前確認的減值虧損的撥回會於綜合收益表中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises direct materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less provision for impairment.

2 主要會計政策概要 (續)

2.12 抵銷金融工具

當有在法律上可強制執行的權利可抵銷已確認金額，且有意圖按其淨額作結算或同時變現資產和結算負債時，有關金融資產與負債可互相抵銷，並在綜合財務狀況表報告其淨值。在法律上可強制執行的權利不得依賴未來事件而定，並在一般業務過程中可強制執行，即使公司或對手方一旦出現違約、無償債能力或破產亦然。

2.13 存貨

存貨按成本與可變現淨值兩者中之較低者入賬。成本按加權平均法釐定。製成品及在建工程之成本包括直接物料、直接勞工及其他直接成本，以及相關間接生產開支（以正常營運產能為基準）。其不包括借款成本。可變現淨值為在日常業務過程中之估計銷售價，減適用的可變銷售開支。

2.14 應收賬款及其他應收款項

應收賬款為在日常業務過程中就商品銷售或服務提供而應收客戶之款項。如預期將於一年或以內（或仍在正常經營週期中，則可延長）收回應收賬款及其他應收款項，則該等款項將會分類為流動資產。否則，該等款項呈列為非流動資產。

應收賬款初步按無條件代價金額確認，除非其包含重大融資成分，並按公允價值確認。本集團持有應收賬款，目的是收取合約現金流量，因此其後以實際利率法按攤銷成本減減值撥備計量。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and are not restricted as to use.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

2 主要會計政策概要 (續)

2.15 現金及現金等值物

就綜合現金流量表而言，現金及現金等值物指手頭現金、活期存款及短期高流動性之投資。該投資隨時可變現為可知數額之現金，且價值變動風險不大，一般於購入日期後三個月內到期，亦沒有用途限制。

2.16 股本

普通股被分類為權益。

與發行新股份或購股權直接有關之新增成本，列入權益作為所得款項（已扣除稅項）扣減。

2.17 應付賬款

應付賬款為在日常業務過程中向供應商購買商品或服務而應支付之負債。如應付款項的支付日期在一年或以內到期（如仍在正常經營週期中，則可延長），其將會分類為流動負債。否則，該等款項呈列為非流動負債。

應付賬款初步以公允價值確認，其後利用實際利息法按攤銷成本計量。

2.18 財務擔保合約

財務擔保合約於出具擔保時確認為金融負債。有關負債初步按公允價值計量，其後則按以下各項之最高者計量：

- 根據國際財務報告準則第9號金融工具項下之預期信貸虧損模式釐定之金額及
- 初步確認金額減（如適用）根據國際財務報告準則第15號來自客戶合約的收益之原則確認之收入累計金額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2 主要會計政策概要 (續)

2.18 財務擔保合約 (續)

財務擔保之公允價值釐定為債務工具項下之合約付款與在並無擔保下將須作出之付款之間的現金流量之差額之現值，或就承擔責任而可能須付予第三方之估計金額。

倘有關聯營公司之貸款或其他應付款之擔保乃無償提供，公允價值會入賬為出資，並確認為投資成本之一部分。

2.19 借貸

借貸初步按公允價值並扣除產生之交易成本確認。借貸其後按攤銷成本計量。所得款項（扣除交易成本）與贖回金額之任何差額利用實際利息法於借貸期間內於損益中確認。倘部分或全部融資將會可能被提取，成立貸款融資的已付費用確認為貸款之交易成本。在此情況下，有關費用遞延至提取發生時。倘並無部分或全部融資將會可能被提取之憑證，有關費用則資本化為流動資金服務之預付款並於該融資相關之期間攤銷。

當合約指定之責任獲解除、取消或屆滿時，則自資產負債表移除借貸。已經消除或轉移至另一方之金融負債之賬面值與已付代價之間的差額（包括任何非現金已轉移資產或已承擔負債）於損益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Convertible bonds

If the conversion option of convertible bonds is an equity instrument, the host of convertible bonds is recognised as a financial liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the host liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

2 主要會計政策概要 (續)

2.19 借貸 (續)

除非本集團擁有無條件權利將負債之結算延至報告期間後最少12個月，否則借貸分類為流動負債。

2.20 可換股債券

倘可換股債券之轉換期權屬股本工具，則可換股債券之主要部分經扣除交易成本後於綜合財務狀況表確認為金融負債。發行可換股債券時，主負債部分之公允價值乃按相等非可換股債券之市價而釐定，而該金額按攤銷成本列賬為金融負債，直至轉換或贖回時註銷為止。所得款項餘額會分配至已確認之轉換期權，並於扣除交易成本後計入股東權益。轉換期權之賬面價值於往後年度不會重新計量。交易成本於該等工具首次確認時，根據所得款項分配至負債及權益部分之比例分配至可換股債券之負債及權益部分。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Convertible bonds (Continued)

If the conversion option of convertible bonds is not an equity component, it is bifurcated from the host liability component and separately accounted for as a derivative. Redemption rights are also embedded derivatives and accounted for together with conversion option as a single derivative. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs are apportioned between the host liability and derivative components of the convertible bonds based on the allocation of proceeds to the host liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated income statement.

When the convertible bonds with an equity component are extinguished before maturity through an early redemption or repurchase by the issuer in which the original conversion privileges are unchanged, the consideration and transaction costs paid for the redemption or repurchase is allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received when the convertible instrument was issued. The difference between the carrying amount of the liability component and the liability component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in the consolidated income statement, whereas the difference between the carrying amount of the equity component and the equity component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in equity.

2 主要會計政策概要 (續)

2.20 可換股債券 (續)

倘可換股債券之轉換期權並非權益部分，則與主負債部分分離，單獨入賬為衍生工具。贖回權亦為嵌入式衍生工具，與轉換期權一併入賬為單一衍生工具。於初始確認時，可換股債券之衍生品部分按公允價值計量且列報為衍生金融工具之一部分。任何超出衍生品部分初始確認金額之所得款項確認為可換股債券之主負債部分。交易成本根據該等工具初始確認時主負債部分與衍生品部分所得款項分配之比例，在可換股債券之主負債部分與衍生品部分間分配。與可換股債券主負債部分相關之交易成本初始確認為該負債之一部分。與衍生品部分相關之交易成本即時於綜合收益表確認。

當包含權益部分之可換股債券於到期前透過發行人提早贖回或購回被註銷，且原定換股特權維持不變，則贖回或購回所付之代價及交易成本將於交易當日分配至有關工具之負債及權益部分。分配所付代價及交易成本至個別部分之方法與發行可換股工具當時分配所收款項至個別部分之原定方法一致。負債部分賬面值與分配自贖回或回購所付代價及交易成本至負債部分之差額，於綜合收益表中確認。此外，權益部分賬面值與分配自贖回或回購所付代價及交易成本之權益部分之差額，則於權益中確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

(a) Initial recognition and subsequent measurement

The derivative financial instruments of the Group represent the conversion option and redemption option bifurcated from the host contract of convertible bonds. These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss.

(b) Classification

Derivative financial instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

2 主要會計政策概要 (續)

2.21 衍生金融工具

衍生工具於訂立衍生工具合約日期按公允價值初步確認，其後按其公允價值重新計量。

(a) 初始確認及後續計量

本集團之衍生金融工具指從可換股債券主合約中分離出之轉換權及贖回權。該等衍生金融工具以訂立衍生合約日期之公允價值進行初始確認，其後按公允價值重新計量。其公允價值為正數時，作為資產入賬；其公允價值為負數時，作為負債入賬。

任何衍生工具之公允價值變動所產生的任何盈虧直接計入損益。

(b) 分類

基於對現實狀況與環境之評估（即相關已訂約現金流量），未被指定為有效對沖工具之衍生金融工具劃分為流動或非流動，或者將之分離為流動及非流動部分。

與主合約無密切關聯之嵌入式衍生品按照與主合約現金流量一致之方式分類。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the places where the Company and its subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 主要會計政策概要（續）

2.22 即期及遞延所得稅

期內所得稅開支或抵免為本期間應課稅收入按各司法權區適用所得稅率之應付稅項，因應暫時性差異及未使用稅項虧損應佔遞延稅項資產及負債變動調整。

(a) 即期所得稅

即期所得稅按本公司及其附屬公司及聯營公司營運及產生應課稅收入的地方於報告期末已頒布或實質頒布的稅法計算。管理層就適用稅務規例有待詮釋的情況定期評估報稅表的狀況，並在適用情況下根據預期須向稅務機關支付的稅款作出撥備。

(b) 遞延所得稅

遞延所得稅採用負債法就資產及負債之稅基與其在綜合財務報表之賬面值產生之暫時性差異撥備。然而，倘遞延稅項負債來自商譽之初步確認，則不予確認。倘遞延所得稅來自交易（不包括業務合併）中資產或負債之初步確認，而在交易發生時不影響會計損益或應課稅損益，亦不予入賬。遞延所得稅採用在報告期末已頒布或實質頒布，並在有關的遞延所得稅資產實現或遞延所得稅負債償付時預期將會適用之稅率（及法例）而釐定。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

2 主要會計政策概要 (續)

2.22 即期及遞延所得稅 (續)

(b) 遞延所得稅 (續)

遞延稅項資產僅於可能有未來應課稅款項可利用暫時性差額及虧損的情況下方予以確認。

遞延稅項負債及資產不會就海外業務投資(該公司可控制暫時性差額撥回的時間,且有關差額很可能在可見將來不會撥回)之賬面值與稅基之暫時性差額確認。

倘有合法執行權利抵銷即期稅項資產及負債,而遞延稅項結餘與同一稅務機關有關時,遞延稅項資產及負債予以抵銷。倘實體有合法執行權抵銷並擬按淨額基準結算,或同時變現資產及結算債務時,即期稅項資產及稅項負債予以抵銷。

即期及遞延稅項於綜合收益表確認,但與在其他全面收益中或直接於權益確認之項目有關者則除外。在有關情況下,稅項亦分別在其他全面收益或直接在權益中確認。

本集團內公司可就投資合資格資產或相關合資格開支享有特殊稅項減免。本集團就該等津貼入賬列為稅收抵免,即津貼降低應付所得稅及即期稅項開支。遞延稅項資產於未申領的稅項抵免結轉為遞延稅項資產時確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits

2.23.1 Retirement benefit schemes

Obligatory retirement benefits in the form of contributions under defined contribution retirement schemes administered by local government agencies are charged to the consolidated income statement as incurred.

The PRC subsidiaries of the Company participate in defined contribution retirement plans. All employees of these companies are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area. The subsidiaries are required to make contributions to the local social security bureau at rates ranging from 20% to 21% of the previous year's average basic salaries within the geographical area where the employees are under employment. The Group has no obligations for the payment of pension benefits beyond the annual contributions as set out above. The contributions are charged to the income statement as they become payable.

The Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all employees of the companies in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed to the MPF Scheme.

2 主要會計政策概要 (續)

2.23 僱員福利

2.23.1 退休福利計劃

強制退休福利指向地方政府當局管理之定額供款退休計劃作出之供款，於產生時自綜合收益表扣除。

本公司中國附屬公司參與定額供款退休金計劃。所有該等公司員工均享有年度養老金，金額相等於受僱地區平均基本薪金之某固定比率。該等附屬公司須按旗下員工受聘地區之上年度平均基本薪金20%至21%之比率，向當地之社會保障局供款。除上述之年度供款以外，本集團毋須支付其他養老金福利。該等供款於應付時自收益表內扣除。

本集團根據強制性公積金計劃條例為所有合資格參與強制性公積金退休福利計劃（「強積金計劃」）的香港公司僱員設有一項定額供款強積金計劃。供款乃根據僱員基本薪金之若干百分比而釐定，並根據強積金計劃之規例在應付有關款項時在收益表扣除。強積金計劃之資產與本集團之資產分開，由一獨立管理之基金持有。本集團向強積金計劃作出僱主供款後，有關供款即全數屬僱員所有。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

2.23.2 Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.23.3 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 主要會計政策概要 (續)

2.23 僱員福利 (續)

2.23.2 離職福利

離職福利於僱員在正常退休日前被本集團終止聘用或僱員接受自願離職以換取這些福利時支付。本集團於以下日期之較早者確認離職福利：(a)本集團不得再撤銷提供該等福利時；及(b)實體確認屬於國際會計準則第37號內及涉及支付離職福利之重組之成本時。在提出要約以鼓勵自願離職的情況下，離職福利乃根據預期接受要約的僱員人數計量。在報告期末後超過12個月到期支付的福利應貼現為現值。

2.23.3 僱員休假權利

僱員享有的年假均在僱員有權享有有關假期時確認。截至報告期末，本集團就僱員因提供服務而產生的年假的估計負債計提撥備。

僱員享有的病假及產假於休假時方確認入賬。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

2.23.4 Share-based payments

(a) *Equity-settled share-based payment transactions*

The Company operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 主要會計政策概要 (續)

2.23 僱員福利 (續)

2.23.4 以股份支付之交易

(a) *以股權結算及以股份支付之交易*

本公司設有一項以股權結算及以股份為基礎之薪酬計劃，據此，實體收取來自僱員之服務作為本公司股本工具（購股權）之代價。就僱員提供服務而授出購股權之公允價值確認為支出。將支銷之總額乃參考所授購股權之公允價值釐定：

- 包括任何市場表現條件（如實體之股價）；
- 不包括任何服務及非市場表現歸屬條件（如盈利能力、銷售增長目標及僱員在某特定時間於公司留任）產生之影響；及
- 包括任何非歸屬條件的影響（如僱員儲蓄規定）。

在估計預期歸屬之購股權數目時，非市場表現及服務條件亦加入一併考慮。總開支須於達致所有指定歸屬條件之歸屬期間確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Employee benefits (Continued)

2.23.4 Share-based payments (Continued)

(a) *Equity-settled share-based payment transactions (Continued)*

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries undertakings, with a corresponding credit to equity in the Company's financial statements.

2 主要會計政策概要 (續)

2.23 僱員福利 (續)

2.23.4 以股份支付之交易 (續)

(a) *以股權結算及以股份支付之交易 (續)*

此外，在部分情況下，僱員可在授出日期之前提供服務，故授出日期的公允價值就確認服務開始期與授出日期的期間內的開支作出估計。

於各報告期末，本集團根據非市場表現及服務條件修訂對預期歸屬之購股權數目所作估計，並在收益表確認修訂原來估計產生之影響（如有），並對權益作出相應調整。

本公司於購股權獲行使時發行新股份。所收款項（扣除任何直接應計交易成本）會撥入股本（面值）及股份溢價。

(b) *集團實體間以股份支付之交易*

本公司向為本集團工作之附屬公司僱員所授出其股本工具之購股權乃視為資本出資。所獲得僱員服務之公允價值乃參考授出日期之公允價值計量，於歸屬期內確認為增加對附屬公司之投資，並相應計入本公司財務報表內之權益。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Borrowing costs

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

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.25 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.26 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other long-term payables and is released to the consolidated income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated income statement by way of a reduced depreciation charge when all attaching conditions are complied with.

2 主要會計政策概要（續）

2.24 借款成本

可直接歸屬且需經較長時間的購建或生產活動方能達至預定可使用或出售狀態的合資格資產的一般及特定借貸成本，計入該等資產的成本，直至達至其預定可使用或出售狀況為止。

所有其他借貸成本於其產生期間於綜合收益表內確認。

2.25 租約（作為融資租賃之承租人）

凡資產擁有權之絕大部分風險及回報仍歸出租公司所有之租約，均列作經營租約。根據經營租約作出之付款（扣除出租人給予之任何優惠）在租期內以直線法自綜合收益表中扣除。

2.26 政府撥款

政府撥款於合理確保本集團將收到撥款且符合所有附帶條件時按公允價值確認。與開支項目有關之撥款將有系統地於擬作補償之成本開銷期間確認為收入。

該項撥款如與資產有關且符合所有附帶條件時，則公允價值乃計入其他長期應付款項，再於有關資產之預期可使用年期分期每年等額分攤計入綜合收益表，或在資產之賬面值扣除，並以扣減折舊費用方式計入綜合收益表。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Provisions

Provision for restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability.

2 主要會計政策概要 (續)

2.27 撥備

倘本集團因已發生之事件而產生現有法律或推定責任；有可能需要資源流出以償付責任；及金額已經可靠估計，則須確認重組成本及法律索償撥備。重組撥備包括租賃終止罰款及僱員離職付款。本集團不會就未來經營虧損確認撥備。

倘出現多項類似責任，則需要從整體考慮責任之類別以決定在償付時流出資源的可能性。即使在同一責任類別所包含之任何一個項目相關的資源流出可能性極低，仍須確認撥備。

撥備按預期履行責任所需開支之現值，以可反映貨幣時間價值及責任特定風險之現時市場評估之稅前比率計量。因時間流逝產生之撥備增加確認為利息開支。

2.28 或然負債

或然負債指因已發生之事件而可能引起之責任，此責任需就某一宗或多宗未來事件會否發生才能確認，而本集團並不能完全控制這些未來事件會否實現。倘不大可能消耗經濟資源，或責任金額未能可靠衡量，則該責任披露為或然負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Revenue recognition

(a) Sales of goods

Sales are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of sub-contracting income

Revenue from sub-contracting services is recognised in the accounting period in which the services are rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or board of directors, as appropriate.

2 主要會計政策概要 (續)

2.29 收益確認

(a) 銷售貨品

當產品之控制權轉移時(即產品已交付予客戶,客戶已接納產品,且概無可影響客戶接納產品之未履行義務時),產品銷售則獲確認。當產品運送到指定地點,產品報廢及損失之風險轉由客戶承擔,且客戶按照銷售合約接納產品或接納條文已失效,或本集團有客觀證據證明所有接納標準均已達成時,則交付已發生。

來自該等銷售之收益根據合約列明的價格確認,扣除折扣、退貨及增值稅。

應收款項於交付貨品時確認,原因為此時乃代價成為無條件之時間點,僅須隨時間流逝即可收取付款。

(b) 加工收入撥備

來自加工服務之收益乃於提供服務之會計期間內確認。

(c) 利息收入

利息收入採用實際利息法按時間比例基準確認。

2.30 股息分派

向本公司股東分派之股息在股息獲本公司股東或董事會(視何者適用而定)批准股息之期間內於本集團及本公司之財務報表內確認為負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including foreign exchange risk, price risk, cash flow and fair value interest-rate risk, credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The directors review and agree policies for managing each of these risks and they are summarised below.

(a) Foreign exchange risk

The Group mainly engaged in the sale of iron and special steel products with its operating entities mainly located in PRC with most of the transactions settled in Renminbi ("RMB"), US dollars ("US\$") and HK\$.

Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed foreign exchange risk from various currencies, primarily with respect to US\$.

Given the exchange rate peg between HK\$ and US\$, it is not foreseen that the Group's entities with functional currency of HK\$ will be exposed to significant exchange rate risk for the transactions conducted in US\$.

At 31 December 2018 and 2017, if HK\$/US\$ had weakened/strengthened by 2% against RMB, with all other variables held constant, there would be no significant impact on the results of the Group.

3 金融風險管理

3.1 金融風險因素

本集團之業務活動令其承受多種金融風險，包括外匯風險、價格風險、現金流量及公允價值利率風險、信貸風險及流動資金風險。本集團整體風險管理政策專注於金融市場之不可預測性，並尋求盡量減低對本集團財務表現之潛在不利影響。董事審閱及協定管理該等風險的政策，該等政策概述如下。

(a) 外匯風險

本集團主要以其位於香港及中國的營運實體從事鐵及特鋼製品的銷售業務，大部分交易以人民幣（「人民幣」）、美元（「美元」）及港元結算。

當未來商業交易或已確認金融資產或負債以實體功能貨幣以外的貨幣列值，即產生外匯風險。本集團面臨多種貨幣的外匯風險，尤其是美元。

由於港元與美元的匯率掛鉤，預期本集團以港元作功能貨幣之實體將不會就以美元進行的交易面臨重大外匯風險。

於二零一八年及二零一七年十二月三十一日，倘港元／美元兌人民幣貶值／升值2%，而所有其他變數保持不變，將不會對本集團的業績產生重大影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Price risk

The Group is exposed to commodity price risk in relation to its products which is largely dependent on market price of the relevant commodity. The Group closely monitors the price of its products in order to determine its pricing strategies.

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from borrowings. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk while borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2018, if interest rates had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year would have been approximately HK\$5,684,000 (2017: HK\$5,958,000 higher/lower) higher/lower, mainly as a result of higher/lower interest expense on floating rate borrowings. The Group has not used any interest rate swaps for speculative purpose.

(d) Credit risk

The carrying amounts of trade and other receivables, deposits, pledged time deposits, and bank balances represent the Group's maximum exposure to credit risk in relation to its financial assets.

3 金融風險管理（續）

3.1 金融風險因素（續）

(b) 價格風險

本集團的產品在很大程度上依賴有關商品的市場價格，因此本集團面臨商品價格風險。本集團密切監察其產品的價格，以釐定定價策略。

(c) 現金流量及公允價值利率風險

本集團的收入及經營現金流量實質上不受市場利率變動之影響。本集團的利率風險來自借款。按浮動利率計息的借款使本集團面臨現金流量利率風險，而按固定利率計息的借款使本集團面臨公允價值利率風險。

於二零一八年十二月三十一日，倘利率上升／下降100個基點，而所有其他變數保持不變，年內除稅前虧損將增加／減少約5,684,000港元（二零一七年：增加／減少5,958,000港元），主要由於浮息借款的利息開支增加／減少。本集團並無使用任何利率掉期作投機用途。

(d) 信貸風險

應收賬款及其他應收款項、按金、已抵押定期存款及銀行結餘之賬面值為本集團就其金融資產面臨的最大風險。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

In respect of cash deposited at banks, credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 December 2018.

Majority of the Group's revenue is received from individual customers in relation to the sales of iron and steel products in the PRC which are transacted in cash or credit. The Group's trade receivables arise from sales of iron and steel products to the customers. As at the end of the year, the top three debtors and the largest debtor accounted for approximate 79.6% and 65.9% respectively (2017: 69.9% and 54.0% respectively) of the Group's trade receivables balance. In view of the history of business dealings with these debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the debtors related to the impaired trade receivables disclosed below.

3 金融風險管理（續）

3.1 金融風險因素（續）

(d) 信貸風險（續）

就存於銀行之現金而言，由於交易對手方為具信譽之銀行，故信貸風險被視為低。現有交易對手方於過往並無違約。因此，銀行現金之預期信貸虧損率被評估為接近零，且並無於截至二零一八年十二月三十一日進行撥備。

本集團之大部分收益乃來自有關於中國銷售鐵及特鋼製品之個別客戶，其均以現金或信貸方式進行交易。本集團之應收賬款來自向客戶銷售鐵及特鋼製品。於年末，三大債務人及最大債務人分別佔本集團之應收賬款結餘約79.6%及65.9%（二零一七年：分別69.9%及54.0%）。鑒於與該等債務人之業務交易歷史及應收彼等款項之良好收款歷史，管理層相信，本集團應收該等債務人之尚未償還應收款項結餘並無重大信貸風險，惟與下文所披露之已減值應收賬款有關之債務人除外。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) *Impairment of financial assets*

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery.

The Group categorises its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2018 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 金融風險管理（續）

3.1 金融風險因素（續）

(d) 信貸風險（續）

(i) 金融資產減值

應收賬款

本集團應用國際財務報告準則第9號指定的簡化方法計提預期信貸虧損，其允許就所有應收賬款使用全期預期信貸虧損撥備。

為計量預期信貸虧損，具有類似風險特徵之應收賬款已予分組，並集體或個別評估其收回之可能性。

本集團根據共同信貸風險特徵及逾期日數將其應收賬款分類，惟個別評估之應收賬款除外。預期虧損率乃根據於二零一八年十二月三十一日前12個月期間之銷售付款情況及於該期間經歷之相應過往信貸虧損計算。過往虧損率乃經調整以反映影響客戶結清應收款項能力的宏觀經濟因素之現時及前瞻性資料。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Trade receivables (Continued)

Given the track record of regular repayment of trade receivables, the directors are of the opinion that the risk of default by these customers is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate of trade receivables is assessed to be insignificant.

For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties or enter liquidation, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of HK\$16,862,000 was made as at 31 December 2018.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that impairment has been incurred but not yet been identified in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

3 金融風險管理（續）

3.1 金融風險因素（續）

(d) 信貸風險（續）

(i) 金融資產減值（續）

應收賬款（續）

鑑於定期償還應收賬款之往績記錄，經計及宏觀經濟因素之前瞻性資料後，董事認為，該等客戶違約之風險並不重大。因此，應收賬款之預期信貸虧損率被評估為並不重大。

就與存在債務人面臨重大財務困難或進入清盤程序之客觀證據之賬戶有關之應收賬款而言，其乃個別評估減值撥備。因此，已於二零一八年十二月三十一日作出特定虧損撥備16,862,000港元。

應收賬款減值之先前會計政策

於上一年度，應收賬款減值乃根據已產生虧損模式評估。已知不可收回的個別應收款項透過直接削減賬面值方式撇銷。其他應收款項進行集體評估，以釐定是否存在已發生但尚未於獨立減值撥備中識別的減值客觀證據。本集團認為，倘存在任何以下指標，則存在減值證據：

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Previous accounting policy for impairment of trade receivables (Continued)

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised cost

The directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

3 金融風險管理（續）

3.1 金融風險因素（續）

(d) 信貸風險（續）

(i) 金融資產減值（續）

應收賬款減值之先前會計政策（續）

- 債務人陷入重大財務困難；
- 債務人將可能進入破產或財務重組，及
- 違約或拖欠付款。

當預期不可收回額外現金時，已確認減值撥備的應收款項就其撥備進行撇銷。

按攤銷成本計量之其他金融資產

本集團董事於資產的初步確認時考慮違約的可能性，並持續考慮信貸風險是否已大幅增加。於評估信貸風險是否大幅增加時，本集團將資產於報告日期發生違約的風險與於初步確認日期的違約風險進行比較。尤其須考慮以下指標：

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Credit risk (Continued)

(i) Impairment of financial assets (Continued)

Other financial assets at amortised cost
(Continued)

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the company's ability to meet its obligations;
- actual or expected significant changes in the operating results of the company;
- significant changes in the expected performance and behavior of the company, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making a contractual payment/repayable demanded.

The loss allowance for other financial assets at amortised cost as at 31 December 2018 amounting to HK\$7,943,000 as detailed in Note 22.

Impairment losses on trade receivables and other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 金融風險管理 (續)

3.1 金融風險因素 (續)

(d) 信貸風險 (續)

(i) 金融資產減值 (續)

按攤銷成本計量之其他金融資產 (續)

- 業務、財務經濟狀況的實際或預期重大不利變動，預期對該公司履行責任的能力造成重大變動；
- 該公司經營業績的實際或預期重大變動；
- 該公司預期表現及行為的重大變動，包括對手方付款狀況的變動。

不論上述分析為何，倘債務人於作出合約付款／要求償還款項時逾期超過180日，則假定信貸風險大幅增加。

如附註22所詳述，於二零一八年十二月三十一日，按攤銷成本計量之其他金融資產之虧損撥備為7,943,000港元。

應收賬款及按攤銷成本計量之其他金融資產之減值虧損於經營溢利內呈列為減值虧損淨額。其後收回先前已撇銷金額乃計入同一項目。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk

The Group's primary cash requirements have been for the payments for purchases and operating expenses. The Group finances its working capital requirements mainly through funds generated from operations, and external bank and other borrowings. As at 31 December 2018, the Group had net current liabilities of HK\$4,172,126,000. The directors of the Company have taken certain measures to mitigate the liquidity pressure as detailed in Note 2.1(a). Management will also closely monitor the situation to ensure that appropriate alternative actions are taken.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the financial reporting period to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

		On demand 應要求償還 HK\$'000 千港元	Less than 1 year 少於一年 HK\$'000 千港元	Total 總計 HK\$'000 千港元
As at 31 December 2018	於二零一八年 十二月三十一日			
Convertible bonds	可換股債券	46,775	–	46,775
Bank and other borrowings	銀行及其他借貸	3,686,587	–	3,686,587
Trade payables	應付賬款	187,514	–	187,514
Notes payables	應付票據	–	14,207	14,207
Financial liabilities included in other payables and accruals	計入其他應付款項及 應計費用的金融負債	293,327	59,359	352,686
		4,214,203	73,566	4,287,769
As at 31 December 2017	於二零一七年 十二月三十一日			
Convertible bonds	可換股債券	46,775	–	46,775
Bank and other borrowings	銀行及其他借貸	3,461,488	820	3,462,308
Trade payables	應付賬款	133,008	–	133,008
Notes payables	應付票據	–	1,436	1,436
Financial liabilities included in other payables and accruals	計入其他應付款項及 應計費用的金融負債	270,851	63,171	334,022
		3,912,122	65,427	3,977,549

3 金融風險管理（續）

3.1 金融風險因素（續）

(e) 流動資金風險

本集團的主要現金需求乃為支付採購及營運開支。本集團主要透過經營產生的資金及外部銀行及其他借貸支持其營運資金需求。於二零一八年十二月三十一日，本集團的流動負債淨額為4,172,126,000港元。如附註2.1(a)所詳述，本公司董事已採取若干措施減緩流動資金壓力。管理層亦將密切監察情況，確保採取適當替代行動。

下表分析本集團按財務報告期末至合約到期日的剩餘年期分為相關到期組別的非衍生金融負債。未貼現合約現金流量的金額披露如下。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current "bank and other borrowings", "note payables" and "convertible bonds" as shown in the consolidated statement of financial position) less cash and cash equivalents and pledged time deposits. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

3 金融風險管理（續）

3.2 資本管理

本集團管理資本之目標為保障本集團能持續營運，以為股東提供回報，並為其他權益持有人帶來利益，同時維持最佳資本結構以減低資金成本。

為維持或調整資本結構，本集團或會調整支付予股東的股息金額、向股東退回資本、發行新股份，或出售資產以減少債務。

和其他同業一樣，本集團以資本負債比率作為監控資本的基準。資本負債比率按債項淨額除以資本總額計算。債項淨額按總借貸（包括綜合財務狀況表所示之流動及非流動「銀行及其他借貸」、「應付票據」及「可換股債券」）減去現金及現金等值物及已抵押定期存款計算。資本總額按綜合財務狀況表所示之「權益」加上債項淨額計算。

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Bank and other borrowings	銀行及其他借貸	2,516,098	2,493,776
Notes payables	應付票據	14,207	1,436
Convertible bonds, the liability component	可換股債券的負債部分	46,775	46,775
Less: Cash and cash equivalents and pledged time deposits	減：現金及現金等值物以及已抵押定期存款	(4,280)	(20,071)
Net debt	債項淨額	2,572,800	2,521,916
Total shareholders' deficit	股東虧絀總額	(1,240,151)	(832,772)
Total capital	資本總額	1,332,649	1,689,144
Gearing ratio	資本負債比率	193%	149%

The increase in gearing ratio for the year ended 31 December 2018 is mainly a result of the decrease in total equity for the year.

於截至二零一八年十二月三十一日止年度，由於本年度權益總額減少導致資本負債比率上升。

Notes to the Consolidated Financial Statements

綜合財務報表附註

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2018 and 2017, the Group and the Company did not have any financial instruments that are carried at fair value except for the derivative financial instruments.

At 31 December 2017, the conversion rights of the Company's and the Group's 8% Coupon Convertible Bonds, together with redemption rights (considered as a single derivative), classified as derivative financial instruments of HK\$Nil was measured under level 3 of fair value hierarchy. The fair value was valued by estimating the value of the whole bond with and without the embedded derivatives. Changes in level 3 financial instruments for the years ended 31 December 2018 and 2017 are detailed in Note 28.

The most significant inputs in determination of the fair value of conversion rights of the 8% Coupon Convertible Bonds are the scenario analysis performed by management which assess the probability of the 8% Coupon Convertible Bonds being converted as ordinary shares.

3 金融風險管理（續）

3.3 公允價值估計

下表按計量公允價值所用的估值方法輸入數據級別，分析本集團於二零一八年十二月三十一日按公允價值列賬的金融工具。該等輸入數據分類為下列公允價值層級的三個級別：

- 就相同資產或負債於活躍市場之報價（未經調整）（第一級）。
- 就資產或負債可直接（即按價格）或間接（即從價格所得）觀察所得之輸入數據（惟納入第一級內之報價除外）（第二級）。
- 資產或負債並非依據可觀察市場數據之輸入數據（即非可觀察輸入數據）（第三級）。

於二零一八年及二零一七年十二月三十一日，除衍生金融工具外，本集團及本公司並無任何金融工具按公允價值列賬。

於二零一七年十二月三十一日，分類為衍生金融工具的本公司及本集團8%票面息可換股債券之換股權連同贖回權（被視為單一衍生工具）零港元乃以公允價值層級的第三級計量。該公允價值乃透過估計全部債券包含及不包含嵌入式衍生工具的價值進行估值。有關截至二零一八年及二零一七年十二月三十一日止年度第三級金融工具的變動於附註28詳述。

釐定8%票面息可換股債券換股權之公允價值的最重要輸入數據乃管理層於評估8%票面息可換股債券轉換為普通股的可能性時進行的情景分析。

Notes to the Consolidated Financial Statements

綜合財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Going concern consideration

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the consolidated financial statements. The assessment of the going concern assumption involves making a judgement by the directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in Note 2.1(a) to the consolidated financial statements.

(b) Impairment of an exclusive offtake right

The Group assesses whether there are any indicators of impairment for its exclusive offtake right at the end of each reporting period. When an impairment test is undertaken, management judgement and estimates are required in determining suitable valuation factors in the impairment test. The recoverable amount could change significantly as a result of changes in the key assumptions adopted in assessing the recoverable amount including discount rate, estimation of market prices of nickel and iron, expected export volume from the supplier and domestic sales volume, and other risk factors related to the exclusive offtake right.

4 關鍵會計估算及判斷

編製財務報表所用的估計和判斷會被持續評估，並會考慮過往經驗以及其他因素，包括對在有關情況下視為對未來事件之合理預期。

本集團對未來作出估算及假設。所得的會計估算顧名思義極少與其相關實際結果相同。導致下個財政年度的資產與負債賬面值須作出重大調整之重大風險估算及假設討論如下。

(a) 持續經營基準

於應用本集團之會計政策過程中，除涉及估計之項目外，管理層編製綜合財務報表時乃假設本集團於來年將可按持續經營基準繼續營運，此乃對綜合財務報表內已確認金額構成最重大影響之主要判斷。評估持續經營假設時，董事需於特定時間就本質上不確定之事件及情況之未來結果作出判斷。董事認為，本集團有能力持續經營，而可能個別或共同對持續經營假設構成重大疑問，且或會引致業務風險之重大事件或情況載於綜合財務報表附註2.1(a)。

(b) 獨家採購權之減值

本集團於各報告期末評估獨家採購權有否減值跡象。進行減值測試時，管理層須釐定減值測試之合適估值因素作出判斷及估計。可收回金額可因評估可收回金額所採用的主要假設變動而出現重大變動，包括折現率、鎳及鐵之市價估計、供應商的預期出口量及本地銷量，以及有關獨家採購權之其他風險因素。

Notes to the Consolidated Financial Statements

綜合財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Impairment of an exclusive offtake right (Continued)

In determining the recoverable amount of the exclusive offtake right, the directors also made reference to certain proposed transaction prices of the relevant asset. Outcome of any proposed transaction and the final consideration may differ from the amount originally estimated. Completion or non-completion of proposed transactions may also result in significant change in recoverable amount of the exclusive offtake right and therefore impairment charge for the period when such judgment and estimate have been changed.

(c) Impairment of non-financial assets (other than goodwill and an exclusive offtake right)

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take further impairment charge to the income statement.

4 關鍵會計估算及判斷 (續)

(b) 獨家採購權之減值 (續)

釐定獨家採購權的可收回金額時，董事亦參考相關資產的若干建議交易價格。任何建議交易的結果及最終代價可能有別於原先估計的金額。建議交易完成與否亦可能導致獨家採購權的可收回金額出現重大變動，而倘有關判斷及估計發生變動，則期內減值開支亦會有變。

(c) 非金融資產之減值 (商譽及獨家採購權除外)

資產於有事件出現或情況改變顯示賬面值可能無法收回時進行減值檢討。可收回金額已根據使用價值計算釐定或以公允價值扣除銷售成本釐定。該等計算方法須運用判斷及估計。

在資產減值方面，尤其是評估以下各項時，管理層須作出判斷：(i)是否已發生事件顯示有關資產價值可能無法回；(ii)可收回金額（即公允價值扣除銷售成本後之金額與根據繼續在業務中使用資產而估計之未來現金流量淨現值兩者之較高者）可否支持資產賬面值；及(iii)編製現金流量預測時須應用之適當主要假設，包括有關現金流量預測是否以適當貼現率貼現。管理層評估減值時選用之假設（包括現金流量預測所用之貼現率或增長率假設）如有變化，可能會對減值測試所用之淨現值構成重大影響，因而影響本集團之財務狀況及經營業績。倘預計表現及相應未來現金流量預測出現重大不利變動，則可能須於收益表中扣除額外減值開支。

Notes to the Consolidated Financial Statements

綜合財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Contingent liabilities

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsels and advisors, and the management's intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

(e) Amortisation of an exclusive offtake right

Amortisation of the exclusive offtake right is made based on the actual limonitic ore purchased during the period over the total planned purchase volume during the contractual period. The estimation of the total planned purchase volume requires management judgement and estimates. It could change significantly as a result of market demand for nickel-based products, technical innovations, reserve of the mine, the ability of the miner in meeting the demand and other relevant factors. Management reviews the total planned purchase volume at least annually, and adjusts the amortisation calculation accordingly.

4 關鍵會計估算及判斷（續）

(d) 或然負債

當有可能產生責任，惟其存在與否須透過非本集團所能控制的未來事件確定，或當不可能計算責任所涉金額，則會披露為或然負債。任何目前未確認或披露的或然負債一旦實現，均有可能對本集團的財務狀況造成重大影響。

本集團會審閱重大的待決訴訟，以評估有否撥備的需要。所考慮的因素包括訴訟的性質、法律程序及損害賠償的潛在程度、法律顧問及諮詢人的意見及見解以及管理層對回應訴訟的意向。倘估計及判斷與實際結果不相符，則有可能嚴重影響期內業績及財務狀況。

(e) 攤銷獨家採購權

獨家採購權按期內實際已採購褐鐵礦石除以合約期內總計劃採購量攤銷。總計劃採購量之估計需由管理層作出判斷及估計，並會因市場對鎳產品之需求、技術創新、礦藏儲量、採礦滿足有關需求之能力及其他相關因素而有重大變動。管理層會最少每年檢討總計劃採購量一次，並相應調整攤銷計算方法。

Notes to the Consolidated Financial Statements

綜合財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(g) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer requirements or competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

(h) Impairment of financial assets

The loss allowance for financial assets are based on assumption about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1(d) to the consolidated financial statements.

4 關鍵會計估算及判斷（續）

(f) 物業、廠房及設備之可使用年期

本集團之管理層釐定其物業、廠房及設備之估計可使用年期及相關折舊費用。該估計根據類似性質及功能之物業、廠房及設備之實際可使用年期之過往經驗而釐定。其可能因技術創新及競爭對手應對行業重大週期變化之行為而有重大改變。當可使用年期少於先前之估計年期時，管理層將增加折舊費用或沖銷或撇減已報廢或出售之技術過時或非策略性之資產。實際的經濟年期可能有別於估計可使用年期，而實際剩餘價值可能有別於估計剩餘價值。定期審閱可能使折舊年期及剩餘價值發生變動，從而使未來期間的折舊開支發生變動。

(g) 存貨之可變現淨值

存貨之可變現淨值指於一般業務過程中估計售價減估計達致完成及出售所涉成本後之金額。該等估計乃根據當前市況及銷售相似性質產品之過往經驗而作出。客戶要求出現變動或競爭對手應對行業重大週期變化所採取之行動，可能令其發生重大變動。管理層會於各報告期末重新評估該等估計。

(h) 金融資產減值

金融資產之虧損撥備乃根據有關違約風險及預期虧損率之假設作出。本集團於作出該等假設及選擇用於減值計算之輸入值時根據本集團之過往歷史、現行市況及於各報告期末之前瞻性估計作出判斷。有關主要假設及輸入值之詳情披露於綜合財務報表附註3.1(d)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(i) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 關鍵會計估算及判斷（續）

(i) 即期及遞延所得稅

本集團須繳納多個司法權區之所得稅。釐定以上各司法權區之所得稅撥備時需要作出判斷。於日常業務過程中有若干難以確定最終稅項之交易及計算方法。倘該等事宜之最終稅務結果與初步記錄之金額不同，有關差額將會影響作出有關決定之期間內之所得稅及遞延所得稅撥備。

倘管理層認為未來應課稅溢利可用作對抵銷暫時性差異或稅項虧損可予動用時，則會確認與若干暫時性差異有關之遞延所得稅項資產及稅項虧損。倘預期與原先之估算不同，有關差異會對有關估算出現變動之期間內遞延所得稅項資產及稅項支出之確認構成影響。

Notes to the Consolidated Financial Statements

綜合財務報表附註

5 SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the trading of ore and the manufacturing, sub-contracting and sale of iron and special steel products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Mainland China recognised	中國大陸，於以下時間確認		
At a point in time	於某一時間點	420,219	256,342
Over time	於一段時間內	27,988	40,088
		448,207	296,430

The revenue information above is based on the locations of the customers.

以上之收益資料乃基於客戶之地理位置。

(b) Non-current assets

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Mainland China	中國大陸	556,179	602,018
Indonesia	印尼	2,384,543	2,384,543
Others	其他	49	40
		2,940,771	2,986,601

The non-current assets information above is based on the locations of the assets.

以上之非流動資產資料乃基於資產之地理位置。

5 分部資料

就管理目的，本集團僅有一個可呈報經營分部：礦石貿易以及生產、加工及銷售鐵及特鋼製品。管理層出於資源配置及績效考評之決策目的，將其各業務單元之經營成果作為一個整體來進行管理。

地域資料

(a) 來自外部客戶之收益

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Mainland China recognised	中國大陸，於以下時間確認		
At a point in time	於某一時間點	420,219	256,342
Over time	於一段時間內	27,988	40,088
		448,207	296,430

以上之收益資料乃基於客戶之地理位置。

(b) 非流動資產

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Mainland China	中國大陸	556,179	602,018
Indonesia	印尼	2,384,543	2,384,543
Others	其他	49	40
		2,940,771	2,986,601

以上之非流動資產資料乃基於資產之地理位置。

Notes to the Consolidated Financial Statements

綜合財務報表附註

5 SEGMENT INFORMATION (Continued)

Information about major customers

For the year ended 31 December 2018, revenue of approximately HK\$196,965,000 (2017: HK\$207,358,000) were derived from three (2017: four) customers, amounted to approximately HK\$76,243,000, HK\$71,194,000 and HK\$49,528,000 respectively which individually accounted for over 10% of the Group's total revenue.

5 分部資料 (續)

主要客戶資料

截至二零一八年十二月三十一日止年度，收益約196,965,000港元（二零一七年：207,358,000港元）乃源自三位（二零一七年：四位）客戶，分別約為76,243,000港元、71,194,000港元及49,528,000港元，個別佔本集團總收益逾10%。

6 REVENUE AND OTHER GAINS, NET

6 收益及其他盈利淨額

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Revenue	收益		
Sale of goods:	銷貨：		
Stainless steel products	不銹鋼產品	65,752	187,480
Ni-Cr alloy steel ingot	鎳鉻合金鋼錠	273,629	18,748
Ferro-nickel alloys and others	鎳鐵合金及其他	80,838	50,114
		420,219	256,342
Sub-contracting income	加工收入	27,988	40,088
Total revenue	總收益	448,207	296,430
Other gains, net	其他盈利淨額		
Gain on disposal of property, plant and equipment, net	出售物業、廠房及設備之收益淨額	5,064	185
Foreign exchange gains/(losses), net	匯兌盈利／（虧損）淨額	2,332	(3,865)
Gain on deconsolidation of subsidiaries, net (Note 8)	附屬公司終止綜合入賬產生之收益淨額（附註8）	—	44,455
Write off of other payables	撇銷其他應付款項	3,779	—
Government subsidy	政府補貼	11,342	—
Others	其他	4,049	1,639
		26,566	42,414

Notes to the Consolidated Financial Statements

綜合財務報表附註

7 LOSS BEFORE INCOME TAX

The Group's loss before income tax is stated at after charging the following:

7 除所得稅前虧損

本集團除所得稅前虧損已扣除下列各項：

		Notes 附註	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Costs of inventories sold	已售存貨成本		416,411	257,241
Employee benefits expense	僱員福利開支	10	61,832	59,970
Research expenses	研發開支		150	579
Auditors' remuneration	核數師酬金			
– Audit services	– 審核服務		4,400	3,950
– Non-audit services	– 非審核服務		43	231
Depreciation	折舊	14	66,398	72,260
Amortisation of prepaid land lease payments	預付土地租賃款項攤銷	15	4,610	4,506
Minimum lease payments under operating leases in respect of buildings and equipment	有關樓宇及設備之經營租賃之最低租賃付款		4,740	4,976
Provision for impairment of inventories	存貨減值撥備	20	24,273	12,360
Provision for/(reversal of) impairment of trade receivables	應收賬款減值撥備／(撥回)	21	2,069	(11,571)
(Reversal of)/provision for impairment of other receivables	其他應收款項減值(撥回)／撥備	22	(1,254)	1,475
Provision for impairment of prepayments*	預付款項減值撥備*	22	4,122	3,705

* Included in other expenses

* 計入其他開支

Notes to the Consolidated Financial Statements

綜合財務報表附註

8 GAIN ON DECONSOLIDATION OF SUBSIDIARIES, NET

During the year ended 31 December 2017, the Group received an Order of Court upon the hearing of the winding up application against CNR Group Holdings Pte. Ltd ("CNRG"), a wholly-owned subsidiary of the Company, at the High Court of the Republic of Singapore ("Winding Up Order"). Pursuant to the Winding Up Order, the High Court of the Republic of Singapore ordered that CNRG be wound up under the provision of Singapore Companies Act (Cap 50) and a liquidator be appointed to commence the winding up proceedings. Following the appointment of the liquidator, the directors of CNRG ceased to have power over the business activities of CNRG and the assets of CNRG were under custody and control of the liquidator. Consequently, the directors of the Company are of the opinion that the Group lost control over the operating and financing activities of CNRG and CNRG ceased to be a subsidiary of the Group. Accordingly, assets and liabilities of CNRG together with its subsidiaries (collectively the "CNRG Group") were deconsolidated when the Group ceased to control CNRG and a gain on deconsolidation of subsidiaries was resulted. Net liabilities of CNRG at the time when the Group ceased to control is analysed as follows:

8 附屬公司終止綜合入賬產生之收益，淨額

於截至二零一七年十二月三十一日止年度，在新加坡共和國高等法院就申請將本公司全資附屬公司CNR Group Holdings Pte. Ltd (「CNRG」)清盤進行聆訊後，本集團接獲法庭命令(「清盤命令」)。根據清盤命令，新加坡共和國高等法院頒令根據新加坡公司條例(第50章)將CNRG清盤，並委任清盤人展開清盤程序。於委任清盤人後，CNRG董事對CNRG的業務活動再無權力，而CNRG的資產已由清盤人託管及控制。最終本公司董事認為本集團已失去對CNRG經營及融資活動的控制權，而CNRG已不再為本集團的附屬公司。因此，當本集團不再控制CNRG時，CNRG及其附屬公司(統稱「CNRG集團」)的資產及負債已終止綜合入賬，並因而產生附屬公司終止綜合入賬產生之收益。CNRG不再受本集團控制時的淨負債狀況分析如下：

		HK\$'000 千港元
Property, plant and equipment (Note 14)	物業、廠房及設備(附註14)	1,389
Prepayment, deposit and other receivables	預付款項、按金及其他應收款項	4,431
Cash and bank balances	現金及銀行結餘	257
Trade payables	應付賬款	(714)
Other payables and accruals	其他應付款項及應計負債	(9,835)
Other long term payables (Note 24)	其他長期應付款項(附註24)	(900)
Income tax payables	應付所得稅	(26,143)
Net liabilities deconsolidated	已終止確認的淨負債	(31,515)
Non-controlling interests	非控股權益	(6,067)
Release of exchange reserve	匯兌儲備撥回	(6,873)
Gain on deconsolidation of subsidiaries, net	附屬公司終止綜合入賬產生之收益淨額	(44,455)

Notes to the Consolidated Financial Statements

綜合財務報表附註

9 FINANCE COSTS, NET

9 融資成本淨額

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Finance income	融資收入		
Interest income on time deposits	定期存款利息收入	118	139
Finance costs	融資成本		
Interest on bank and other borrowings	銀行貸款及其他借貸利息	(338,068)	(338,094)
Interest on convertible bonds	可換股債券利息	(3,100)	(5,825)
		(341,168)	(343,919)
Finance costs, net	融資成本淨額	(341,050)	(343,780)

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

10 僱員福利開支（包括董事薪酬）

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Salaries	薪金	50,603	49,309
Retirement benefit scheme contributions and other costs	退休福利計劃供款及其他成本	11,229	10,639
Equity-settled share-based compensation expense (Note 31)	以股權結算之股份補償開支（附註31）	—	22
		61,832	59,970

Notes to the Consolidated Financial Statements

綜合財務報表附註

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(a) Five highest paid employees

The five highest paid employees during the year included three directors (2017: three directors), details of whose remuneration are set out in note (b) below. Details of the remuneration paid and payable to the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Fees	袍金	–	–
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	2,515	2,356
Equity-settled share option expense	以股權支付之購股權開支	–	2
Retirement benefit scheme contributions	退休福利計劃供款	36	36
		2,551	2,394

The emoluments of the aforementioned individuals fell within the following bands:

上述人士的薪酬屬下列範圍：

		2018 二零一八年	2017 二零一七年
HK\$500,001 to HK\$1,000,000	500,001港元至 1,000,000港元	–	1
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至 1,500,000港元	2	1

No emoluments have been paid to the five highest paid individuals (including Directors and other employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

概無作為招攬加入或於加入本集團或作為離職補償而支付給五名最高薪人士（包括董事及其他僱員）之酬金（二零一七年：無）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules)

(i) Directors' and chief executives' emoluments

The remuneration of each of the directors of the Company for the year ended 31 December 2018 is set out below:

				Housing	Equity-settled	Retirement	
	Fees	Salaries and bonus	and other allowances	share option expense	benefit contributions	Total	
	袍金	薪金及獎金	住房及其他津貼	以股權支付之購股權開支	退休福利計劃供款	總計	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	千港元
	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Executive Directors:	執行董事：						
Mr. Dong Shutong	董書通先生						
(Chief executive)	(首席執行官)						
	-	2,081	601	-	-	2,682	
Mr. Dong Chengzhe	董誠喆先生						
	-	1,108	-	-	17	1,125	
Mr. Song Wenzhou	宋文州先生						
	-	427	-	-	-	427	
Mr. Yang Fei	楊飛先生						
	-	650	240	-	18	908	
Mr. Wang Ping	王平先生						
	-	1,300	469	-	-	1,769	
Non-executive Director:	非執行董事：						
Mr. Yang Tianjun	楊天鈞先生						
	200	-	-	-	-	200	
Independent Non-executive Directors:	獨立非執行董事：						
Mr. Bai Baohua	白葆華先生						
	200	-	-	-	-	200	
Mr. Huang Changhuai	黃昌淮先生(附註)						
(Note)	130	-	-	-	-	130	
Mr. Wong Chi Keung	黃之強先生						
	200	-	-	-	-	200	
Mr. Fahmi Idris	法米先生						
	200	-	-	-	-	200	
	930	5,566	1,310	-	35	7,841	

Note: Mr. Huang Changhuai resigned from 27 August 2018.

附註：黃昌淮先生於二零一八年八月二十七日辭任。

10 僱員福利開支(包括董事薪酬)(續)

(b) 董事福利及利益(香港公司條例(第622章)第383條、公司(披露董事利益資料)規例(第622G章)及香港上市規則規定所作之披露)

(i) 董事及首席執行官之薪酬

截至二零一八年十二月三十一日止年度，本公司各董事的薪酬載列如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(i) Directors' and chief executives' emoluments (Continued)

The remuneration of each of the directors of the Company for the year ended 31 December 2017 is set out below:

		Fees	Salaries and bonus	Housing and other allowances	Equity-settled share option expense	Retirement benefit scheme contributions	Total
		袍金	薪金及獎金	住房及其他津貼	以股權支付之購股權開支	退休福利計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Executive Directors:	執行董事：						
Mr. Dong Shutong	董書通先生						
(Chief executive)	(首席執行官)	–	2,223	569	–	–	2,792
Mr. Dong Chengzhe	董誠喆先生	–	451	25	1	16	493
Mr. Song Wenzhou	宋文州先生	–	416	–	1	–	417
Mr. Yang Fei	楊飛先生	–	650	231	1	18	900
Mr. Wang Ping	王平先生	–	1,300	539	–	–	1,839
Non-executive Director:	非執行董事：						
Mr. Yang Tianjun	楊天鈞先生	200	–	–	–	–	200
Independent Non-executive Directors:	獨立非執行董事：						
Mr. Bai Baohua	白葆華先生	200	–	–	–	–	200
Mr. Huang Changhui	黃昌淮先生	200	–	–	–	–	200
Mr. Wong Chi Keung	黃之強先生	200	–	–	–	–	200
Mr. Fahmi Idris	法米先生	200	–	–	–	–	200
		1,000	5,040	1,364	3	34	7,441

10 僱員福利開支（包括董事薪酬）（續）

(b) 董事福利及利益（香港公司條例（第622章）第383條、公司（披露董事利益資料）規例（第622G章）及香港上市規則規定所作之披露）（續）

(i) 董事及首席執行官之薪酬（續）

截至二零一七年十二月三十一日止年度，本公司各董事的薪酬載列如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(I) Directors' and chief executives' emoluments (Continued)

During the year ended 31 December 2018, no Director or chief executive waived or agreed to waive any emolument; and no emoluments were paid by the Group to the Directors or chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

(II) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year (2017: Nil).

(III) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2017: Nil).

(IV) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: Nil).

(V) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2018, there is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors (2017: Nil).

10 僱員福利開支(包括董事薪酬)(續)

(b) 董事福利及利益(香港公司條例(第622章)第383條、公司(披露董事利益資料)規例(第622G章)及香港上市規則規定所作之披露)(續)

(I) 董事及首席執行官之薪酬(續)

截至二零一八年十二月三十一日止年度,概無董事或首席執行官放棄或同意放棄任何酬金,亦無作為招攬加入或於加入本集團或作為離職補償而由本集團支付給董事或首席執行官之酬金(二零一七年:無)。

(II) 董事退休福利

年內概無董事已收取或將收取任何退休福利(二零一七年:無)。

(III) 董事離職福利

年內概無董事已收取或將收取任何離職福利(二零一七年:無)。

(IV) 向第三方支付提供董事服務之代價

於截至二零一八年十二月三十一日止年度,本公司並未向任何第三方支付提供董事服務之代價(二零一七年:無)。

(V) 有關以董事、由董事控制的法團及與董事有關連的實體為受益人的貸款、準貸款及其他交易之資料

於截至二零一八年十二月三十一日止年度,概無作出以董事、由董事控制的法團及與董事有關連的實體為受益人的貸款、準貸款及其他交易(二零一七年:無)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

10 EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and HK Listing Rules) (Continued)

(VI) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in these consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

11 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the Group's entities are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The applicable Hong Kong profits tax rate of the Company, and its subsidiaries, which operate in Hong Kong, is 16.5% (2017: 16.5%).

10 僱員福利開支（包括董事薪酬）（續）

(b) 董事福利及利益（香港公司條例（第622章）第383條、公司（披露董事利益資料）規例（第622G章）及香港上市規則規定所作之披露）（續）

(VI) 董事於交易、安排或合約之重大權益

除本綜合財務報表披露外，於年底或年內任何時間，概無存續其他本公司作為訂約方且本公司董事於當中擁有重大權益（不論直接或間接）的與本集團業務有關的重大交易、安排或合約。

11 所得稅

本集團須按實體基準就產生或源於本集團實體註冊及經營所在司法權區的溢利繳納所得稅。

根據開曼群島及英屬處女群島（「英屬處女群島」）法規及規例，本集團於開曼群島及英屬處女群島毋須繳納任何所得稅。

本公司及其於香港營運之附屬公司適用香港利得稅稅率為16.5%（二零一七年：16.5%）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

11 INCOME TAX (Continued)

According to the PRC Corporate Income Tax Law, the applicable income tax rate of the Group's PRC subsidiaries is 25% for the year (2017: 25%).

11 所得稅 (續)

根據中國企業所得稅法，本集團的中國附屬公司本年度之適用所得稅稅率為25%（二零一七年：25%）。

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Income tax expense	所得稅開支	—	—

The tax charge on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the group companies as follows:

本集團除所得稅前虧損的稅務開支有別於按適用於集團公司業績的加權平均稅率計算得出的理論金額，載列如下：

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Loss before income tax	除所得稅前虧損	(508,996)	(472,689)
Tax calculated at the applicable statutory tax rates of respective companies	按各公司適用法定稅率計算之稅項	(117,194)	(112,073)
Tax effect of:	下列各項之稅務影響：		
Income not subject to tax	毋須課稅收入	(5,873)	(10,784)
Expenses not deductible for tax	不可扣稅開支	33,548	35,062
Tax losses not recognised	未確認稅項虧損	89,519	87,795
Income tax expense	所得稅開支	—	—

The applicable income tax rate of the Group was 23% for the year ended 31 December 2018 (2017: 23.7%). The change is caused by a change in the relative results of the Group's subsidiaries in the respective countries.

截至二零一八年十二月三十一日止年度，本集團的適用所得稅率為23%（二零一七年：23.7%）。該變動乃由於本集團於各個國家的附屬公司的相關業績有所變動。

Notes to the Consolidated Financial Statements

綜合財務報表附註

12 DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

13 LOSS PER SHARE

Basic

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 3,088,131,105 (2017: 3,088,131,105) in issue during the year.

Diluted

The calculation of the diluted loss per share for the year ended 31 December 2018 is based on the loss for the year attributable to equity holders of the Company, adjusted to reflect the interest on and change in fair value of the derivative component of the convertible bonds and share options. The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted loss per share is the same as basic loss per share for the years ended 31 December 2018 and 2017 because the impact of dilution of the convertible bonds and share options is anti-dilutive.

12 股息

董事不建議宣派截至二零一八年十二月三十一日止年度之末期股息（二零一七年：無）。

13 每股虧損

基本

每股基本虧損乃根據本公司權益持有人應佔年度虧損及年內已發行普通股之加權平均股數即3,088,131,105股（二零一七年：3,088,131,105股）計算。

攤薄

截至二零一八年十二月三十一日止年度之每股攤薄虧損乃根據本公司權益持有人應佔年度虧損計算，並作出調整以反映可換股債券衍生工具部分及購股權之利息及公允價值變動。計算所用之普通股加權平均股數為年內已發行普通股之加權平均股數（按計算每股基本虧損所使用者），以及假設於所有潛在攤薄普通股視為行使或轉換為普通股時按無償方式發行之普通股加權平均股數。

截至二零一八年及二零一七年十二月三十一日止年度，由於可換股債券及購股權之攤薄影響屬反攤薄，故每股攤薄虧損等於每股基本虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

14 PROPERTY, PLANT AND EQUIPMENT

14 物業、廠房及設備

		Buildings 樓宇 HK\$'000 千港元	Plant and machinery 廠房及機器 HK\$'000 千港元	Office equipment 辦公室設備 HK\$'000 千港元	Motor vehicles and others 汽車及其他 HK\$'000 千港元	Construction in progress 在建工程 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Cost:	成本值：						
At 1 January 2017	於二零一七年一月一日	420,958	1,444,526	19,280	48,269	1,305,862	3,238,895
Additions	添置	–	1,648	527	–	20,661	22,836
Disposals	處置	–	(2,703)	–	(92)	(360)	(3,155)
Deconsolidation of subsidiaries (Note 8)	附屬公司終止綜合入賬 (附註8)	(1,099)	–	(1,003)	(3,535)	(6)	(5,643)
Exchange realignment	匯兌差額	28,611	101,229	1,209	3,158	92,242	226,449
At 1 January 2018	於二零一八年一月一日	448,470	1,544,700	20,013	47,800	1,418,399	3,479,382
Additions	添置	–	676	111	327	59,894	61,008
Disposals	處置	(4,520)	–	(126)	(2,624)	(2,318)	(9,588)
Transfers	轉讓	12,460	154,194	–	–	(166,654)	–
Exchange realignment	匯兌差額	(20,908)	(73,877)	(855)	(4,784)	(61,366)	(161,790)
At 31 December 2018	於二零一八年十二月三十一日	435,502	1,625,693	19,143	40,719	1,247,955	3,369,012
Accumulated depreciation:	累計折舊：						
At 1 January 2017	於二零一七年一月一日	125,506	905,089	17,552	38,079	–	1,086,226
Depreciation (Note 7)	折舊 (附註7)	237	68,731	895	2,397	–	72,260
Disposals	處置	–	(2,703)	–	(92)	–	(2,795)
Deconsolidation of subsidiaries (Note 8)	附屬公司終止綜合入賬 (附註8)	(1,099)	–	(944)	(2,205)	–	(4,248)
Exchange realignment	匯兌差額	7,911	65,718	1,107	2,614	–	77,350
At 1 January 2018	於二零一八年一月一日	132,555	1,036,835	18,610	40,793	–	1,228,793
Depreciation (Note 7)	折舊 (附註7)	291	63,469	475	2,163	–	66,398
Disposals	處置	(1,262)	–	(114)	(2,246)	–	(3,622)
Exchange realignment	匯兌差額	(6,062)	(47,277)	(805)	(4,541)	–	(58,685)
At 31 December 2018	於二零一八年十二月三十一日	125,522	1,053,027	18,166	36,169	–	1,232,884
Accumulated impairment losses:	累計減值虧損：						
At 1 January 2017	於二零一七年一月一日	292,120	122,440	185	310	1,287,285	1,702,340
Charge for the year	本年度支出	–	–	–	–	–	–
Deconsolidation of subsidiaries (Note 8)	附屬公司終止綜合入賬 (附註8)	–	–	–	–	(6)	(6)
Exchange realignment	匯兌差額	20,479	8,582	12	22	90,243	119,338
At 1 January 2018	於二零一八年一月一日	312,599	131,022	197	332	1,377,522	1,821,672
Charge for the year	本年度支出	–	–	–	–	–	–
Disposals	處置	–	–	–	–	(2,189)	(2,189)
Transfers	轉讓	8,357	75,905	–	–	(84,262)	–
Exchange realignment	匯兌差額	(14,671)	(8,720)	(9)	(15)	(55,439)	(78,854)
At 31 December 2018	於二零一八年十二月三十一日	306,285	198,207	188	317	1,235,632	1,740,629
Net carrying amount:	賬面淨值：						
At 31 December 2018	於二零一八年十二月三十一日	3,695	374,459	789	4,233	12,323	395,499
At 31 December 2017	於二零一七年十二月三十一日	3,316	376,843	1,206	6,675	40,877	428,917

Notes to the Consolidated Financial Statements

綜合財務報表附註

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2018 and 2017, a substantial amount of the Group's property, plant and equipment were pledged to secure a bank loan granted to the Group (Note 27).

As at 31 December 2018, the carrying amounts of the Group's property, plant and equipment and prepaid land lease payments by major cash generating units, are analysed as follows:

		Zhengzhou Plants 鄭州廠房 HK\$'000 千港元	Lianyungang Plant 連雲港廠房 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Property, plant and equipment	物業、廠房及設備	351,601	43,849	49	395,499
Prepaid land lease payments	預付土地租賃款項	722	158,549	–	159,271
Total	總計	352,323	202,398	49	554,770

Impairment assessment – Zhengzhou Plants

As a result of the continuous unfavourable operating environment experienced in the steel industry, the Group's manufacturing and sales of iron and special steel products operations in Zhengzhou (the "Zhengzhou Plants") were temporarily suspended since March 2013 and had only been operating intermittently throughout the year 2018. The directors of the Company considered it as an impairment indicator and, with the assistance of an independent professional valuer, carried out an impairment review on property, plant and equipment and the related prepaid land lease payments of Zhengzhou Plants (Note 15).

Based on the results of the assessment, the recoverable amounts of property, plant and equipment and the related prepaid land lease payments of Zhengzhou Plants exceed their respective carrying amounts, and therefore no further impairment loss has been made for the year ended 31 December 2018.

14 物業、廠房及設備 (續)

於二零一八年及二零一七年十二月三十一日，本集團大量的物業、廠房及機器已抵押作本集團獲授銀行貸款（附註27）的質押物。

於二零一八年十二月三十一日，本集團物業、廠房及設備以及預付土地租賃款項按主要現金產生單位劃分之賬面值分析如下：

減值評估－鄭州廠房

由於鋼材業內的經營環境持續欠佳，本集團從二零一三年三月起已短暫中止鄭州的鐵及特鋼製品生產及銷售業務（「鄭州廠房」），於二零一八年僅間歇營運。本公司董事認為其屬減值跡象，於一名獨立估值師之協助下，對鄭州廠房之物業、廠房及設備以及相關預付土地租賃款項（附註15）進行減值審閱。

基於評估結果，鄭州廠房之物業、廠房及設備以及相關預付土地租賃款項超過彼等各自之賬面值，故此於截至二零一八年十二月三十一日止年度無再產生進一步減值虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment assessment – Zhengzhou Plants (Continued)

The recoverable amounts of the property, plant and equipment and the related prepaid land lease payments have been determined based on value-in-use calculations. These calculations included applying certain assumptions in preparing cash flows projections for the cash generating unit. In preparing these projections, the directors assumed that, amongst other factors, business performance of the Zhengzhou Plants can be gradually improved during the projection period as a result of improving operating environment and by launching new products and seeking new orders from new customers with improved gross margins. The discount rate used in measuring value-in-use was 19.1% (2017: 18%), which is pre-tax and reflects the specific risks relating to the business.

As at 31 December 2018, there would be no impairment charge if the discount rate used had been 1% higher or the gross margin had been 1% lower.

Impairment assessment – Lianyungang Plant

During the year ended 31 December 2018, due to the continuous unfavourable market condition of nickel related products, which is the main business engaged by the Group's manufacturing plant in Lianyungang (the "Lianyungang Plant"), management upheld its decision to postpone the commencement of Lianyungang Plant's operation until year 2021. The directors of the Company considered it as an impairment indicator and, with the assistance of an independent professional valuer, carried out an impairment review on the property, plant and equipment and the related prepaid land lease payments of Lianyungang Plant (Note 15).

The recoverable amounts have been determined based on the value-in-use calculations. The discount rate used in measuring value-in-use was 21.4% (2017: 20.7%), which is pre-tax and reflects the specific risks relating to the business.

As at 31 December 2018, if the projected sales volume applied to the cash flow projection had been 5% lower or the discount rate used had been 1% higher, an impairment charge of approximately HK\$21 million and HK\$19 million, respectively would be resulted.

14 物業、廠房及設備 (續)

減值評估－鄭州廠房 (續)

物業、廠房及設備以及相關預付土地租賃款項之可收回金額按使用價值基準計算。該等計算包括在編製現金產生單位之現金流預測時應用若干假設。編製該等預測時，董事假定多項因素，其中包括鄭州廠房之業務表現因經營環境改善及透過推出新產品及向新客戶取得毛利率更高的新訂單而於預測期內逐步改善。計算使用價值所用之貼現率為19.1%（二零一七年：18%），此為稅前利率且反映與業務相關之特定風險。

於二零一八年十二月三十一日，倘所用的貼現率上升1%或毛利率下降1%，則將不會產生任何減值支出。

減值評估－連雲港廠房

截至二零一八年十二月三十一日止年度，由於鎳相關產品（此乃本集團於連雲港之生產廠房（「連雲港廠房」）主要涉足的業務）的市況欠佳，管理層維持其決定，延遲連雲港廠房投產時間至二零二一年。本公司董事認為其屬減值跡象，於一名獨立估值師之協助下，對連雲港廠房之物業、廠房及設備以及相關預付土地租賃款項（附註15）進行減值審閱。

可收回金額按使用價值基準計算。計算使用價值所用之貼現率為21.4%（二零一七年：20.7%），此為稅前利率且反映與業務相關之特定風險。

於二零一八年十二月三十一日，倘應用於現金流預測之預測銷售量下降5%或所用的貼現率上升1%，則會分別產生減值支出約21百萬港元及19百萬港元。

Notes to the Consolidated Financial Statements

綜合財務報表附註

15 PREPAID LAND LEASE PAYMENTS

15 預付土地租賃款項

		Notes 附註	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Carrying amount at 1 January	於一月一日之賬面值		175,748	168,590
Amortisation for the year	年內攤銷	7	(4,610)	(4,506)
Exchange realignment	匯兌差額		(7,919)	11,664
Carrying amount at 31 December	於十二月三十一日之賬面值		163,219	175,748
Less: Current portion included in prepayments, deposits and other receivables	減：計入預付款項、按金及其他應收款項之即期部分	22	(3,948)	(4,138)
Non-current portion	非即期部分		159,271	171,610

At 31 December 2018, the Group's leasehold land situated in Mainland China on lease of between 10 and 50 years with a net carrying amount of HK\$163,219,000 (2017: HK\$175,748,000) were pledged for bank loans granted to the Group (Note 27).

於二零一八年十二月三十一日，本集團位於中國大陸、租期介乎10至50年及賬面淨值為163,219,000港元（二零一七年：175,748,000港元）的租賃土地已作為本集團獲授銀行貸款（附註27）的質押物。

Impairment assessment

As at 31 December 2018, management carried out a review of the recoverable amounts of its property, plant and equipment, and prepaid land lease payments. Details of the impairment assessment on the Group's property, plant and equipment, and prepaid land lease payments as at 31 December 2018 are disclosed in Note 14.

減值評估

於二零一八年十二月三十一日，管理層審閱其物業、廠房及設備以及預付土地租賃款項之可收回金額。於二零一八年十二月三十一日，本集團物業、廠房及設備以及預付土地租賃款項之減值評估詳情於附註14披露。

16 INTANGIBLE ASSET

16 無形資產

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Exclusive offtake right	獨家採購權		
Carrying amount at 1 January	於一月一日之賬面值	2,384,543	2,384,543
Amortisation	攤銷	—	—
Carrying amount at 31 December	於十二月三十一日之賬面值	2,384,543	2,384,543

Notes to the Consolidated Financial Statements

綜合財務報表附註

16 INTANGIBLE ASSET (Continued)

Amortisation of intangible asset has been included in cost of sales.

In May 2007, the Group secured an exclusive offtake right from PT. Yiwon Mining ("Yiwon"), a limited company incorporated in Indonesia, whereby Yiwon agreed to exclusively sell the limonitic ores produced by Yiwon to the Group at a fixed price of US\$16 per dry tonne for a period of approximately 14 years. In September 2008, the term of the exclusive offtake right was extended to 29 years expiring on 24 January 2036.

During the year ended 31 December 2012, a number of Indonesian governmental authorities promulgated several new rules and regulations regarding ores export approval and export tax. Yiwon obtained the ore exporter status ("the Status Approval") and the ore export approval (the "Export Approval") on 13 June 2012 and 27 June 2012, respectively. The Status Approval is valid for two years while the Export Approval is valid for a period of three months from the date of their respective issuance, and Yiwon can re-apply for the Status Approval and the Export Approval before their respective expiry dates.

Pursuant to the new export tax regulation promulgated by the Ministry of Finance of Indonesia (the "MOF") on 16 May 2012, a 20% export tax (the "Export Tax") would be imposed on the limonitic ores exported from Yiwon to the Company. The Export Tax is calculated based on the base price published by the MOF periodically. The Export Tax will be borne by the Group.

According to the recommendation letter issued by the Minister of Mineral and Coal on 25 June 2012 to the Minister of Commerce which granted the Export Approval to Yiwon, the export price of limonitic ores to be sold by Yiwon to the Company shall be US\$23.5 per dry tonne (excluding the Export Tax) (the "New Export Price") instead of US\$16 per dry tonne.

On 10 January 2013, Yiwon issued a letter of undertaking to the Group. Without any prejudice to the terms of the exclusive offtake right, Yiwon irrevocably and unconditionally undertakes that, if at any time during the term of the exclusive offtake agreement, the Group requests the iron ores to be delivered to the Group's subsidiaries located in South Kalimantan, Indonesia for production, Yiwon will adjust the purchase price of such iron ores under the exclusive offtake right to US\$10 per tonne.

16 無形資產 (續)

無形資產攤銷已計入銷售成本。

於二零零七年五月，本集團獲得一間於印尼註冊成立之有限公司PT.Yiwon Mining (「Yiwon」)之獨家採購權，Yiwon同意以固定價格每乾公噸16美元向本集團獨家出售其所產褐鐵礦石，年期約為十四年。於二零零八年九月，獨家採購權之年期延長至二十九年，於二零三六年一月二十四日屆滿。

截至二零一二年十二月三十一日止年度，多個印尼政府機關頒佈若干有關礦石出口許可及出口稅的新規則及法規。Yiwon分別於二零一二年六月十三日及二零一二年六月二十七日取得礦石出口商資格(「資格認可」)及礦石出口許可(「出口許可」)。資格認可及出口許可的有效期限分別為其各自發行日期起計兩年及三個月期間，Yiwon可於資格認可及出口許可各自之屆滿日期前重新申請資格認可及出口許可。

根據印尼財政部(「財政部」)於二零一二年五月十六日頒佈之新出口稅規例，Yiwon向本公司出口的褐鐵礦石將被徵收20%的出口稅(「出口稅」)。出口稅按財政部定期公佈的基本價格計算。出口稅將由本集團承擔。

根據煤礦部長於二零一二年六月二十五日向授予Yiwon出口許可的商務部長發出之建議函件，Yiwon售予本公司的褐鐵礦石出口價將為每乾公噸23.5美元(未計出口稅)(「新出口價」)，而非每乾公噸16美元。

二零一三年一月十日，Yiwon向本集團發出承諾函件。在不損害獨家採購權條款之情況下，Yiwon不可撤回及無條件承諾，倘本集團於獨家採購協議期限內任何時間要求將鐵礦石運送至本集團位於印尼南加里曼丹的附屬公司作生產用途，Yiwon將根據獨家採購權調整該等鐵礦石的採購價至每公噸10美元。

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綜合財務報表附註

16 INTANGIBLE ASSET (Continued)

During the year ended 31 December 2013, the relevant Indonesian governmental authorities further promulgated that unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") would be banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to the relevant regulations regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with those relevant laws. Consequently, the export of unprocessed iron ores from Yiwang to the Group ceased with effect from 12 January 2014.

All of the rights, interest, title and benefits of the exclusive offtake agreement is pledged in favour of DB Trustees (Hong Kong) Limited as security trustee for and on behalf of the bondholders of the Senior Bonds and the Convertible Bonds (Notes 27 and 28).

In determining the recoverable amount of the intangible asset as at 31 December 2018, the directors, amongst other considerations, made reference to the disposal consideration as stipulated in a non-binding framework agreement entered into between the Group and Beijing Wincapital, an independent third party, on 21 January 2013, pursuant to which the Group proposed to dispose of 30% equity interest in SEAM to Beijing Wincapital at a consideration of approximately US\$150 million (the "Framework Agreement") as detailed in Note 2.1(a). In addition, the directors also take into account of the sale and purchase agreements entered into between the Group and Mr. Sun on 11 March 2018 and 8 June 2018, pursuant to which the Group agreed to sell an aggregate 14% equity interest in SEAM to Mr. Sun at an aggregate consideration of RMB420,000,000 conditional upon, amongst others, obtaining approval from shareholders of the Company at an extraordinary general meeting and resumption of trading of the Company's shares (the "14% Disposal Agreements").

SEAM is mainly engaged in the holding of the aforementioned intangible asset of the Group. Although no formal sales and purchases agreement has been entered into in respect of the Framework Agreement up to date and the 14% Disposal Agreements are conditional, as the disposal considerations in discussion substantially exceed the attributable carrying amounts of the intangible asset, the Directors are of the opinion that there is no impairment of the intangible asset as at 31 December 2018.

16 無形資產 (續)

截至二零一三年十二月三十一日止年度，相關印尼政府機關進一步宣佈，於印尼的採礦業務許可證持有人（「許可證持有人」）將自二零一四年一月十二日起被禁止出口未加工礦石，惟許可證持有人已根據關於進行礦產及煤礦開採業務的相關法規在當地進行加工及提煉，並根據該等相關法律進行提煉及冶煉則除外。因此，Yiwang自二零一四年一月十二日起停止向本集團出口未加工鐵礦石。

獨家採購協議的所有權利、權益、所有權及利益已為優先債券及可換股債券（附註27及28）作抵押，受益人為代表債券持有人之德意志信託（香港）有限公司（以擔保受託人身份代表債券持有人）。

在釐定於二零一八年十二月三十一日的無形資產可收回金額時，除了考慮其他因素外，董事參照本集團與獨立第三方北京匯贏於二零一三年一月二十一日訂立的不具約束力框架協議所規定的出售代價，根據該框架協議，本集團擬向北京匯贏出售其於南洋礦業的30%股本權益，代價約150百萬美元（「框架協議」），詳情見附註2.1(a)。此外，董事亦已考慮本集團與孫先生於二零一八年三月十一日及二零一八年六月八日所簽訂的買賣協議，據此，本集團同意向孫先生出售於南洋礦業合共14%股本權益，總代價為人民幣420,000,000元，惟須待（其中包括）取得本公司股東於股東特別大會上批准及本公司股份恢復買賣後，方可作實（「14%出售協議」）。

南洋礦業之主要業務為持有本集團上述的無形資產。縱使直至現時並無就框架協議訂立正式買賣協議且14%出售協議須受條件限制，由於所討論的出售代價大幅超逾無形資產的應佔賬面值，董事認為，於二零一八年十二月三十一日，無形資產並無減值。

Notes to the Consolidated Financial Statements

綜合財務報表附註

17 PARTICULARS OF SUBSIDIARIES

All of the subsidiaries of the Company were incorporated/established as limited liability companies. Particulars of the Company's principal subsidiaries as at 31 December 2018 are as follows:

17 附屬公司之詳情

本公司所有附屬公司註冊成立／成立為有限公司。於二零一八年十二月三十一日，本公司主要附屬公司之詳情如下：

Name of companies 公司名稱	Place of incorporation and place of operations 註冊成立及營業地點	Nominal value of issued shares/ paid-up capital 已發行股份／ 繳足股本之面值	Percentage of equity interest attributable to the Company 本公司應佔股本權益百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Infonics International Limited ("Infonics") (「Infonics」)	British Virgin Islands/ Hong Kong 英屬處女群島／香港	US\$10,001 10,001美元	100	—	Investment holding 投資控股
China Special Steel Holdings Company Limited 中國特鋼控股有限公司	Cayman Islands/Hong Kong 開曼群島／香港	US\$1 1美元	—	100	Dormant 無營業
SEAM 南洋礦業	British Virgin Islands/ Hong Kong 英屬處女群島／香港	US\$100 100美元	—	100	Trading of ore and holding of EOA 礦石貿易及 持有獨家採購協議
Fully Lead Global Investments Limited 豐泰環球投資有限公司	British Virgin Islands/ Hong Kong 英屬處女群島／香港	US\$1 1美元	—	100	Investment holding 投資控股
Zhengzhou Yongtong Special Steel Co., Ltd. (“Yongtong Special Steel”) 鄭州永通特鋼有限公司(「永通特鋼」)	PRC 中國	RMB674,680,000 人民幣674,680,000元	—	100	Manufacturing, sub- contracting and sale of iron and steel products 製造、加工及銷售鋼鐵製品
Zhengzhou Yongtong Alloy Metals Co., Ltd. (“Yongtong Alloy Metals”) 鄭州永通合金材料有限公司(「永通合金」)	PRC 中國	RMB3,000,000 人民幣3,000,000元	—	95	Trading of scrap steel 廢鋼貿易

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綜合財務報表附註

17 PARTICULARS OF SUBSIDIARIES (Continued)

17 附屬公司之詳情 (續)

Name of companies 公司名稱	Place of incorporation and place of operations 註冊成立及營業地點	Nominal value of issued shares/ paid-up capital 已發行股份/ 繳足股本之面值	Percentage of equity interest attributable to the Company 本公司應佔股本權益百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Zhengzhou Xiangtong Electricity Co., Ltd. ("Xiangtong Electricity") 鄭州祥通發電有限公司 (「祥通發電」)	PRC 中國	RMB10,000,000 人民幣10,000,000元	—	100	Generation and sale of electricity 發電及銷售電力
Zhengzhou Yongtong Fully Lead Trading Co., Ltd. ("Yongtong Fully Lead") 鄭州永通豐泰貿易有限公司 (「永通豐泰」)	PRC 中國	RMB66,600,000 人民幣66,600,000元	—	100	Trading of mineral, steel and electronic products 礦、鋼及電子產品貿易
Henan Yongtong Stainless Steel Products Co., Ltd. ("Yongtong Stainless Steel") 河南永通不銹鋼製品有限公司 (「永通不銹鋼」)	PRC 中國	RMB266,000,000 人民幣266,000,000元	—	100	Manufacturing and trading of special steel products 製造及銷售特鋼產品
Lianyungang East Harvest Minerals Company Limited ("East Harvest Minerals") 連雲港東茂礦產品有限公司 (「東茂礦產品」)	PRC 中國	US\$127,000,000 127,000,000美元	—	100	Trading of mineral ores and steel products and investment holding 礦石及鋼產品貿易及 投資控股
Lianyungang City East Harvest Mining Company Limited ("East Harvest Mining") 連雲港市東茂礦業有限公司 (「東茂礦業」)	PRC 中國	RMB390,000,000 人民幣390,000,000元	—	100	Trading of iron and steel products 鋼鐵產品貿易
Henan Jiakun New Materials Technology Co., Ltd. ("Henan Jiakun") 河南家坤新材料科技有限公司 (「河南家坤」)	PRC 中國	RMB50,100,000 人民幣50,100,000元	—	100	Sale of metallic new materials 銷售金屬新材料

Notes to the Consolidated Financial Statements

綜合財務報表附註

18 INTEREST IN AN ASSOCIATE

18 於一間聯營公司之權益

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Share of net assets	應佔資產淨值	—	—
Loan to an associate	貸款予一間聯營公司	56,975	56,975
Less: provision for impairment of loan to an associate	減：貸款予一間聯營公司之減值撥備	(56,975)	(56,975)
		—	—

Loan to an associate is unsecured, interest free and is not expected to be settled within one year.

貸款予一間聯營公司為無抵押、免息及預期不會在一年內償還。

Particulars of the associate are as follows:

該聯營公司之詳情如下：

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 本集團應佔所有權權益百分比	Principal activity
名稱	所持有已發行股份詳情	註冊成立地點		主要業務
Full Harvest Development Limited	15,500 Ordinary shares of US\$1 each	Republic of Seychelles	47.42%	Investment holding
豐盛發展有限公司	15,500股每股面值1美元之普通股	塞舌爾共和國		投資控股

Notes to the Consolidated Financial Statements

綜合財務報表附註

19 DEFERRED TAX

Deferred tax assets

Deferred tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2018, the Group had unrecognised tax losses to be carried forward against future taxable income amounted to approximately HK\$2,073,331,000 (2017: HK\$2,215,471,000). These tax losses have no expiry date except that approximately HK\$1,908,648,000 (2017: HK\$2,083,193,000) will expire in the next one to five years.

Deferred tax liabilities

The movements in the deferred tax liabilities during the year are as follows:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Accelerated depreciation	加速折舊		
At 1 January	於一月一日	1,288	1,204
Exchange realignment	匯兌差額	(59)	84
At 31 December	於十二月三十一日	1,229	1,288

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated after 31 December 2007.

As at 31 December 2018 and 2017, no deferred tax liabilities have been provided for in these consolidated financial statements as there was no temporary difference associated with investments in subsidiaries in Mainland China.

19 遞延稅項

遞延稅項資產

就結轉的稅務虧損而確認的遞延稅項資產僅限於有關之稅務利益有可能透過未來應課稅溢利實現的部分。於二零一八年十二月三十一日，本集團有未確認可結轉以抵銷未來應課稅收入的稅務虧損約2,073,331,000港元（二零一七年：2,215,471,000港元）。除稅務虧損約1,908,648,000港元（二零一七年：2,083,193,000港元）會於未來一至五年內到期外，該等稅務虧損並無到期日。

遞延稅項負債

年內遞延稅項負債變動如下：

據中國企業所得稅法，於中國國內成立的外商投資企業向外國投資者宣派股息須按10%繳納預扣稅。此規定由二零零八年一月一日起生效，適用於二零零七年十二月三十一日後的盈利。倘中國與外國投資者的司法權區訂有稅務協定，則可應用較低的預扣稅率。本集團適用的稅率為10%。因此，本集團有責任就於中國成立的該等附屬公司於二零零七年十二月三十一日後產生的盈利所分派的股息繳付預扣稅。

於二零一八年及二零一七年十二月三十一日，由於中國大陸附屬公司投資並無暫時差異，故並無於該等綜合財務報表中作出遞延稅項負債撥備。

Notes to the Consolidated Financial Statements

綜合財務報表附註

20 INVENTORIES

20 存貨

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Raw materials	原材料	106,303	92,773
Work in progress	在製品	3,045	212
Finished goods	製成品	114,231	192,538
Spare parts and consumables	備件及易耗品	37,375	19,579
		260,954	305,102
Less: provision for impairment losses	減：減值虧損撥備	(76,279)	(125,710)
		184,675	179,392

The movement of provision for impairment losses is as follows:

減值虧損撥備的變動如下：

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
At 1 January	於一月一日	125,710	110,486
Utilisation	消耗	(69,610)	(5,003)
Impairment losses recognised for the year (Note 7)	年內已確認減值虧損 (附註7)	24,273	12,360
Exchange realignment	匯兌差額	(4,094)	7,867
At 31 December	於十二月三十一日	76,279	125,710

Notes to the Consolidated Financial Statements

綜合財務報表附註

21 TRADE RECEIVABLES

21 應收賬款

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Trade receivables (note)	應收賬款 (附註)	93,883	90,489
Loss allowance	虧損撥備	(16,862)	(15,583)
		77,021	74,906

The Group's trading terms with its customers are mainly on credit, except for new customers and customers of limonitic ores, where payment in advance is normally required. The credit period is generally one to two months. During the year, the Group mainly generated its revenue from sales of alloys and special steel products to other steel producers, thereby exposing the Group to concentration of credit risk in the steel industry. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate their fair values.

本集團與客戶之交易主要以信貸方式結算，惟一般要求新客戶及褐鐵礦客戶預付款項。信貸期一般為一至兩個月。年內，本集團之收益主要來自向其他鋼鐵製造商銷售合金及特鋼產品，因此，本集團面臨鋼鐵行業之信貸集中風險。本集團並無就該等結餘持有任何抵押品或其他信貸保證。應收賬款不計利息。應收賬款的賬面值與其公允價值相若。

Notes to the Consolidated Financial Statements

綜合財務報表附註

21 TRADE RECEIVABLES (Continued)

Note:

- (a) An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Within 90 days	90日內	72,161	65,208
91 to 180 days	91至180日	2,138	9,695
181 to 365 days	181至365日	2,722	3
Over 1 year	超過一年	16,862	15,583
		93,883	90,489

The closing loss allowance for all trade receivables reconcile to the opening loss allowance are as follows:

21 應收賬款 (續)

附註:

- (a) 於報告期末，按發票日期計算之應收賬款之賬齡分析如下：

所有應收賬款之年末虧損撥備與年初虧損撥備之對賬如下：

		HK\$'000 千港元
Loss allowance as at 1 January 2017 under IAS 39	於二零一七年一月一日 根據國際會計準則第39號之虧損撥備	29,857
Unused amount reversed (Note 7)	撥回未動用款項 (附註7)	(11,571)
Deconsolidation of subsidiaries	附屬公司終止綜合入賬	(4,144)
Exchange realignment	匯兌差額	1,441
Loss allowance as at 31 December 2017 under IAS 39 and 1 January 2018 under IFRS 9	於二零一七年十二月三十一日 根據國際會計準則第39號及 於二零一八年一月一日根據 國際財務報告準則第9號之虧損撥備	15,583
Loss allowance for trade receivables (Note 7)	應收賬款之虧損撥備 (附註7)	2,069
Exchange realignment	匯兌差額	(790)
Loss allowance as at 31 December 2018 under IFRS 9	於二零一八年十二月三十一日根據 國際財務報告準則第9號之虧損撥備	16,862

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. This has not resulted in a significant change to the loss allowance of trade receivables as at 1 January 2018.

The loss allowance was increased to HK\$16,862,000 for trade receivables during the year ended 31 December 2018.

Information about the impairment of trade receivables and the Group's exposure to foreign exchange risk and credit risk can be found in Note 3.1(d).

本集團採用國際財務報告準則第9號簡化方法計量所有應收賬款之預期信貸虧損，其使用全期預期信貸虧損作撥備。其並無導致於二零一八年一月一日之應收賬款虧損撥備出現重大變動。

應收賬款之虧損撥備於截至二零一八年十二月三十一日止年度已增加至16,862,000港元。

有關應收賬款減值以及本集團面臨之外匯風險及信貸風險之資料可於附註3.1(d)查閱。

Notes to the Consolidated Financial Statements

綜合財務報表附註

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

22 預付款項、按金及其他應收款項

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Prepayments to Yiwu (note)	預付Yiwu之款項(附註)	12,581	12,463
Prepayments to other suppliers	預付其他供應商之款項	41,149	23,610
Other prepayments	其他預付款項	1,816	2,155
Value-added tax recoverable	可收回增值稅	47,686	48,994
Current portion of prepaid land lease payments (Note 15)	預付土地租賃款項之即期部分(附註15)	3,948	4,138
		107,180	91,360
Deposits and other receivables	按金及其他應收款項	39,940	29,969
Loss allowance for other receivables	其他應收款項虧損撥備	(7,943)	(9,306)
		139,177	112,023

The carrying amounts of receivables and deposits approximate their fair values.

應收款項及按金賬面值與彼等之公允價值相若。

Note: As at 31 December 2018, the directors have reviewed the recoverable amount of prepayments to Yiwu and considered that Yiwu has the ability to meet its obligations for supplying iron ores at the discretions of the Group and therefore are not impaired.

附註：於二零一八年十二月三十一日，董事已對預付Yiwu之款項的可收回金額進行檢討，並認為Yiwu有能力通過本集團決定的方式履行其供應鐵礦石的責任。因此，該款項並無減值。

The closing loss allowance for deposits and other receivables reconcile to the opening loss allowance are as follows:

按金及其他應收款項之年末虧損撥備與年初虧損撥備之對賬如下：

		HK\$'000 千港元
Loss allowance as at 1 January 2017 under IAS 39	於二零一七年一月一日根據國際會計準則第39號之虧損撥備	7,589
Loss allowance for other receivables (Note 7)	其他應收款項之虧損撥備(附註7)	1,475
Exchange realignment	匯兌差額	242
Loss allowance as at 31 December 2017 under IAS 39 and 1 January 2018 under IFRS 9	於二零一七年十二月三十一日根據國際會計準則第39號及於二零一八年一月一日根據國際財務報告準則第9號之虧損撥備	9,306
Unused amount reversed (Note 7)	撥回未動用款項(附註7)	(1,254)
Exchange realignment	匯兌差額	(109)
Loss allowance as at 31 December 2018 under IFRS 9	於二零一八年十二月三十一日根據國際財務報告準則第9號之虧損撥備	7,943

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綜合財務報表附註

23 CASH AND CASH EQUIVALENTS, PLEDGED TIME DEPOSITS AND RESTRICTED CASH

23 現金及現金等值物、已抵押定期存款及受限制現金

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Cash and bank balances	現金及銀行結餘	4,256	20,046
Pledged time deposits	已抵押定期存款	24	25
		4,280	20,071
Less: Pledged time deposits for issuing bank acceptance notes (Note 25(b))	減：為取得銀行承兌票據之已抵押定期存款（附註25(b)）	(12)	(12)
Pledged time deposits for senior bonds and convertible bonds (Note 27(i) and 28)	為優先債券及可換股債券之已抵押定期存款（附註27(i)及28）	(12)	(13)
Cash and cash equivalents	現金及現金等值物	4,256	20,046

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2018, the weighted average effective interest rate of the Group's time deposits was 0.68% (2017: 0.31%) per annum.

As at 31 December 2018, cash and bank balances and pledged time deposits of the Group are mainly denominated in RMB. The carrying amounts of these balances approximate their fair values.

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

存於銀行之現金按每日銀行存款利率計算浮息。於二零一八年十二月三十一日，本集團定期存款加權平均有效年利率為0.68%（二零一七年：0.31%）。

於二零一八年十二月三十一日，本集團現金及銀行結餘及已抵押定期存款主要以人民幣計值。該等結餘的賬面值與其公允價值相若。

人民幣與其他貨幣不可自由兌換，然而根據中國大陸外匯管理條例，以及結匯、售匯及付匯管理規定，本集團獲准透過經授權從事外匯兌換業務的銀行將人民幣兌換成其他貨幣。

Notes to the Consolidated Financial Statements

綜合財務報表附註

24 DEFERRED GOVERNMENT GRANTS

24 遞延政府補貼

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Carrying amount at 1 January	於一月一日之賬面值	7,932	8,374
Transfer to other short term payables	轉撥至其他短期應付款項	–	(68)
Deconsolidation of subsidiaries (Note 8)	附屬公司終止綜合入賬 (附註8)	–	(900)
Exchange realignment	匯兌差額	(365)	526
Carrying amount at 31 December	於十二月三十一日之 賬面值	7,567	7,932

25 TRADE AND NOTES PAYABLES

25 應付賬款及應付票據

		Notes 附註	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Trade payables	應付賬款	(a)	187,514	133,008
Notes payables	應付票據	(b)	14,207	1,436
			201,721	134,444

Notes to the Consolidated Financial Statements

綜合財務報表附註

25 TRADE AND NOTES PAYABLES (Continued)

(a) Trade payables

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Within 90 days	90日內	84,958	68,773
91 to 180 days	91至180日	5,180	5,380
181 to 365 days	181至365日	31,511	6,165
1 to 2 years	1至2年	25,322	6,537
2 to 3 years	2至3年	6,248	2,250
Over 3 years	超過3年	34,295	43,903
		187,514	133,008

Trade payables are normally settled on terms of 60 to 180 days. The carrying amounts of trade payables approximate their fair values at the end of the reporting period.

應付賬款一般支付期為60至180日。於報告期末，應付賬款之賬面值與其公允價值相若。

(b) Notes payables

An ageing analysis of the notes payables of the Group at 31 December 2018 is as follows:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Within 90 days	90日內	4,268	1,436
91 to 180 days	91至180日	8,239	—
181 to 365 days	181至365日	1,700	—
		14,207	1,436

At 31 December 2018, notes payables of HK\$14,207,000 (2017: HK\$1,436,000) were denominated in RMB and secured by time deposits of HK\$12,000 (2017: HK\$12,000) (Note 23). The carrying amounts of notes payables approximate their fair values at the end of the reporting period.

於二零一八年十二月三十一日，應付票據14,207,000港元（二零一七年：1,436,000港元）以人民幣計值，並由定期存款12,000港元（二零一七年：12,000港元）作為抵押（附註23）。於報告期末，應付票據之賬面值與其公允價值相若。

25 應付賬款及應付票據（續）

(a) 應付賬款

於報告期末，按發票日期計算之應付賬款之賬齡分析如下：

(b) 應付票據

於二零一八年十二月三十一日，本集團應付票據之賬齡分析如下：

Notes to the Consolidated Financial Statements

綜合財務報表附註

26 OTHER PAYABLES AND ACCRUALS

26 其他應付款項及應計費用

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Contract liabilities (Note (a))	合約負債 (附註(a))	51,222	—
Receipt in advance	預收款項	—	34,799
Payables related to purchases of property, plant and equipment	有關購買物業、廠房及設備之應付款項	59,359	63,171
Accrued interest expense	應計利息開支	1,154,620	893,946
Payroll payable	應付薪金	70,605	63,495
Amounts due to directors (Note 35)	結欠董事款項 (附註35)	90,061	63,841
Provision for claims and disputes (Note (b))	申索及爭議撥備 (附註(b))	126,290	125,155
Others	其他	252,158	268,383
		1,804,315	1,512,790

As at 31 December 2018, the carrying amounts of other payables and accruals approximate their fair values.

於二零一八年十二月三十一日，其他應付款項及應計費用之賬面值與其公允價值相若。

Note (a): Contract liabilities represent the advance payments received from customers for sales of goods which the performance obligation has not yet been satisfied as at 31 December 2018.

附註(a)：合約負債指就銷售產品收取客戶之預收付款且其履約責任尚未於二零一八年十二月三十一日達成。

Note (b): Provision for claims and disputes mainly represent provision for claims from certain vessel owners under certain contracts of affreightment amounting to HK\$103,610,000 (2017: HK\$99,118,000).

附註(b)：申索及爭議撥備主要指就若干船主根據租船貨運合約提出之申索作出之撥備103,610,000港元 (二零一七年：99,118,000港元)。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS

27 銀行及其他借貸

		Note 附註	2018 二零一八年			2017 二零一七年		
			Contractual interest rate (%) 合同利率(%)	Original maturity 原到期日	HK\$'000 千港元	Contractual interest rate (%) 合同利率(%)	Original maturity 原到期日	HK\$'000 千港元
Current	即期							
Current bank loan – secured	即期銀行貸款－有抵押	(a)	6.6	2019 二零一九年	95,811	–	–	–
Non-current bank loan – secured	非即期銀行貸款－有抵押	(a)	–	–	–	6.6	2019 二零一九年	100,431
Current syndicated bank loan – secured	即期銀團貸款－有抵押	(b)	5.2 – 6.6	2019 二零一九年	568,409	–	–	–
Non-current syndicated bank loan – secured	非即期銀團貸款－有抵押	(b)	–	–	–	5.2 – 6.6	2019 二零一九年	595,837
Current bank loans – unsecured	即期銀行貸款－無抵押	(c)	4.8 – 5.7	2019 二零一九年	404,777	–	–	–
Non-current bank loans – unsecured	非即期銀行貸款－無抵押	(c)	–	–	–	4.7 – 5.7	2019 二零一九年	424,292
Other loans	其他貸款	(d)	11.4	2014-2015 二零一四年－ 二零一五年	228,258	10.0 – 11.4	2014-2015 二零一四年－ 二零一五年	239,263
Other borrowings – unsecured	其他借貸－無抵押							
– related parties	－關連方	(e)	Nil – 43.2 零－43.2	On demand 須按要求償還	88,809	Nil – 43.2 零－ 43.2	On demand 須按要求償還	89,086
– Potential Investor	－潛在投資者	(f)	Nil – 10.0 零－10.0	On demand 須按要求償還	225,976	Nil – 10.0 零－ 10.0	On demand 須按要求償還	236,870
– related parties of the Potential Investor	－潛在投資者的關連方	(f)	11.0 – 58.4	2015 二零一五年	300,057	11.0 – 58.4	2015 – 2017 二零一五年－ 二零一七年	314,524
– other third parties	－其他第三方	(g)	Nil – 36.5 零－36.5	2014-2017, on demand 二零一四年－ 二零一七年， 須按要求償還	183,791	Nil – 36.5 零－36.5	2014-2017 二零一四年－ 二零一七年	70,512
Other borrowing– secured	其他借貸－有抵押							
– other third parties	－其他第三方	(h)	Nil 零	2018 二零一八年	820	Nil – 27.6 零－27.6	2017-2018 二零一七年－ 二零一八年	3,571
The 12% Coupon Senior Bonds	12%票面息優先債券	(i)	12.0	2018 二零一八年	390,990	12.0	2018 二零一八年	390,990
The Modified 10% Coupon Bonds	經修訂10%票面息債券	(j)	10.0	2015 二零一五年	28,400	10.0	2015 二零一五年	28,400
					2,516,098	2,493,776		

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(a) Current secured bank loan

In May 2016, the Group replaced certain overdue RMB secured bank loans and notes payables to the extent of RMB55,000,000 (equivalent to HK\$62,771,000) (2017: equivalent to HK\$65,797,000) and RMB29,000,000 (equivalent to HK\$33,097,000) (2017: equivalent to HK\$34,693,000), respectively by a 3-year secured bank loan. Up to 31 December 2018, RMB50,000 (equivalent to HK\$57,000) has been repaid.

As at 31 December 2018, this bank loan is secured by a number of leasehold land in Mainland China with net carrying amount of HK\$38,720,000 (2017: HK\$40,586,000). However, as there is a repayment on demand clause in the bank loan agreement and the Group failed to pay the relevant interest expense during the year, the outstanding amount of the 3-year secured bank loan of HK\$95,811,000 together with the related interest expense of approximately HK\$8,868,000 are immediately due and payable as at 31 December 2018. The directors are currently negotiating with the bank for waiver of the relevant clause and renewal of the loan, including extension of the related interest payments.

(b) Current secured syndicated bank loan

In January 2016, the Group obtained a 3-year syndicated loan of approximately RMB498 million (equivalent to HK\$556,859,000) from a syndicate of banks in the PRC (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of RMB268,620,000 (equivalent to HK\$300,302,000) and RMB79,737,000 (equivalent to HK\$89,141,000), respectively with the syndicated loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of RMB150,000,000 (the "New Facilities") for a 3-year term. During the year ended 31 December 2016, the New Facilities have been fully drawn down.

27 銀行及其他借貸（續）

(a) 即期有抵押銀行貸款

於二零一六年五月，本集團以一項三年期有抵押銀行貸款取代若干逾期人民幣有抵押銀行貸款及應付票據，金額分別為人民幣55,000,000元（相當於62,771,000港元）（二零一七年：相當於65,797,000港元）及人民幣29,000,000元（相當於33,097,000港元）（二零一七年：相當於34,693,000港元）。截至二零一八年十二月三十一日，已償還人民幣50,000元（相當於57,000港元）。

於二零一八年十二月三十一日，該筆銀行貸款以數幅位於中國大陸，賬面淨值為38,720,000港元（二零一七年：40,586,000港元）的租賃土地作為抵押。然而，由於銀行貸款協議載有按要求償還條款，而本集團未能於本年度支付相關利息開支，故三年期有抵押銀行貸款之尚未償還金額95,811,000港元連同相關利息開支約8,868,000港元於二零一八年十二月三十一日即時到期應付。董事目前正與銀行就豁免相關條文及重續貸款（包括延長相關利息付款）進行磋商。

(b) 即期有抵押銀團貸款

於二零一六年一月，本集團已自中國一銀團取得一項三年期的銀團貸款約人民幣498百萬元（相當於556,859,000港元），(i)從而以等額的銀團貸款取代本集團於二零一五年十二月三十一日尚未償還的若干銀行貸款及應付票據，金額分別為人民幣268,620,000元（相當於300,302,000港元）及人民幣79,737,000元（相當於89,141,000港元）；及(ii)為本集團提供額外貸款融資作為營運資金，金額為人民幣150,000,000元（「新造融資」），為期三年。於截至二零一六年十二月三十一日止年度，新造融資已全數提取。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(b) Current secured syndicated bank loan (Continued)

The syndicated loan is secured by certain property, plant and equipment and prepaid land lease payments of certain subsidiaries of the Group. However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under these syndicated loan facilities upon signing the syndicated loan agreement. During the year, the Group also failed to pay its relevant interest totalling HK\$34,003,000 up to 31 December 2018. As a result, the outstanding amount of the 3-year syndicated loan of RMB498 million (equivalent to HK\$568,409,000) together with the related interest expense are immediately due and payable as at 31 December 2018 despite the original contractual repayment dates are within twelve months as at the reporting date.

Subsequent to the year end in January 2019, the syndicated loan has become overdue when the Group failed to repay the principal amount of the loan together with the related interest expense. The directors are currently negotiating with the syndicate of banks for the waiver of the breach of the undertaking and restrictive covenant requirements and to extend the loan for another 3 years, including extension of the related interest payments.

(c) Current unsecured bank loans

In June 2016, the Group obtained an unsecured 3-year loan facility for an amount of RMB360 million (equivalent to HK\$430,560,000) from a PRC bank (the "Unsecured Loan Facility"). During the year ended 31 December 2016, approximately RMB355 million (equivalent to HK\$396,496,000) has been drawn down from the Unsecured Loan Facility mainly to replace certain loans in relation to the proposed disposal of a 30% equity interest in SEAM to the extent of RMB300,000,000 (equivalent to HK\$335,383,000) as detailed in note (d) below.

27 銀行及其他借貸 (續)

(b) 即期有抵押銀團貸款 (續)

銀團貸款由本集團若干附屬公司的若干物業、廠房及設備及預付土地租賃款項擔保。然而，本集團於簽訂銀團貸款協議後未能履行該等銀團貸款融資項下的若干承擔及限制性契諾規定。於本年度，本集團亦未能支付直至二零一八年十二月三十一日合共34,003,000港元之相關利息。因此，儘管原訂合約還款日期於報告日期為十二個月內，惟3年期銀團貸款之尚未償還金額人民幣498百萬元（相當於568,409,000港元）連同相關利息開支於二零一八年十二月三十一日即時到期應付。

於二零一九年一月年結後，銀團貸款已於本集團未能償還貸款本金額連同相關利息開支時逾期。董事目前正就豁免違反承諾及限制性契諾規定及將貸款額外延長3年（包括延長相關利息付款）與銀團進行磋商。

(c) 即期無抵押銀行貸款

於二零一六年六月，本集團已自中國一銀行取得無抵押三年期貸款融資（「無抵押貸款融資」），金額為人民幣360百萬元（相當於430,560,000港元）。於截至二零一六年十二月三十一日止年度，已自無抵押貸款融資中提取一筆貸款約人民幣355百萬元（相當於396,496,000港元），此乃主要用於取代有關建議出售南洋礦業30%股本權益的若干貸款，金額為人民幣300,000,000元（相當於335,383,000港元）（如下文附註(d)詳述）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(c) Current unsecured bank loans (Continued)

However, the Group failed to fulfil certain undertakings and restrictive covenant requirements under this Unsecured Loan Facility upon signing the loan agreement. The Group also failed to pay its related interest totalling HK\$34,286,000 up to 31 December 2018. As a result, the outstanding amount of this loan of RMB355 million (equivalent to HK\$404,777,000) together with the related interest expense are immediately due and payable as at 31 December 2018. The directors are currently negotiating with the bank for waiver of the relevant clause and renewal of the loan, including extension of the related interest payments.

(d) Other loans

On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital in relation to the disposal of a 30% equity interest in SEAM, a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US\$150 million (equivalent to approximately HK\$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of the consolidated financial statements.

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance ("Financing Loans") to the Group in the aggregate amounts of RMB400,000,000 (equivalent to HK\$447,176,000) up to 31 December 2016. Such borrowings can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

During the year ended 31 December 2017, a loan arranged by Beijing Wincapital (amounting to RMB200,000,000 (equivalent to HK\$239,263,000)) has been novated to Pingyuan, which is a beneficial owner of the Potential Investor, as mentioned in note (f) below.

27 銀行及其他借貸（續）

(c) 即期無抵押銀行貸款（續）

然而，本集團於簽訂貸款協議後未能履行該無抵押貸款融資項下的若干承擔及限制性契諾規定。本集團亦未能支付其直至二零一八年十二月三十一日合共34,286,000港元之相關利息。因此，此項貸款之尚未償還金額人民幣355百萬元（相當於404,777,000港元）連同相關利息於二零一八年十二月三十一日即時到期應付。董事目前正在就豁免相關條款及重續貸款（包括延長相關利息付款）與銀行進行磋商。

(d) 其他貸款

於二零一三年一月二十一日，本集團與北京匯贏訂立有關出售本集團全資附屬公司南洋礦業30%股本權益的無約束力框架協議。總出售代價預計為大約150,000,000美元（相當於約1,170百萬港元）。截至綜合財務報表批准日期，建議交易仍未完成，尚未訂立任何正式買賣協議。

就建議出售事項而言，截至二零一六年十二月三十一日，北京匯贏為本集團安排若干貸款融資（「融資貸款」），總額為人民幣400,000,000元（相當於447,176,000港元）。倘建議出售得以完成，有關借貸可藉抵銷出售代價支付。

於截至二零一七年十二月三十一日止年度，北京匯贏安排之貸款人民幣200,000,000元（相當於239,263,000港元）已轉嫁予平原，而平原為潛在投資者之實益擁有人（如下文附註(f)所述）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(d) Other loans (Continued)

As at 31 December 2017, the Financing Loan comprised of a loan provided by Gongyi Jiahui Technology Promotion Service Centre LLP ("Gongyi Jiahui") in the aggregate of RMB200,000,000 (equivalent to HK\$239,263,000) for a term of three to six months from the respective drawdown dates.

As at 31 December 2018, the outstanding Financing Loan totalling RMB200,000,000 (equivalent to HK\$228,258,000) remained overdue. The Group is in the process of negotiating with the counterparties to extend the terms of these outstanding balances.

(e) Unsecured borrowings from related parties

As at 31 December 2018 and 2017, unsecured borrowings from related parties comprised of: (i) loans from a Mr. Dong's relative of RMB25,700,000 (equivalent to HK\$29,331,000) (2017: equivalent to HK\$30,745,000), which bear interest at rates of 36% to 43% per annum; and (ii) loans from the ultimate holding company of the Company consisting of amounts of S\$5,642,000, US\$1,715,000 and HK\$13,800,000 (2017: HK\$10,779,000) (in aggregate equivalent to HK\$59,478,000) (2017: HK\$57,145,000), which bear interest at a rate of 8% per annum except for an amount of US\$1,715,000, which is interest free.

In addition, an interest-free loan of RMB1,000,000 (equivalent to HK\$1,196,000) from a relative of Mr. Dong remained outstanding as at 31 December 2017. This loan has been fully repaid during the year ended 31 December 2018.

27 銀行及其他借貸 (續)

(d) 其他貸款 (續)

於二零一七年十二月三十一日，融資貸款包括鞏義市佳匯技術推廣服務中心（有限合夥）（「鞏義佳匯」）提供一筆合共人民幣200,000,000元（相當於239,263,000港元）之貸款，為期三至六個月（由相關提款日期起計）。

於二零一八年十二月三十一日，尚未償還融資貸款合共人民幣200,000,000元（相當於228,258,000港元）仍逾期。本集團正在與對手方進行磋商，以延長該等未償還餘額之期限。

(e) 從關連方借入的無抵押借貸

於二零一八年及二零一七年十二月三十一日，從關連方借入的無抵押借貸包括：(i)從董先生親屬借入的貸款人民幣25,700,000元（相當於29,331,000港元）（二零一七年：相當於30,745,000港元），按年利率36厘至43厘計息；及(ii)向本公司最終控股公司借入貸款，該貸款包括5,642,000新加坡元、1,715,000美元及13,800,000港元（二零一七年：10,779,000港元）（相當於合共59,478,000港元）（二零一七年：57,145,000港元），除了貸款1,715,000美元為免息外，其他貸款按年利率8厘計息。

此外，來自董先生親屬之免息貸款人民幣1,000,000元（相當於1,196,000港元）於二零一七年十二月三十一日仍尚未償還。此貸款已於截至二零一八年十二月三十一日止年度獲悉數償還。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(f) Unsecured borrowings from the Potential Investor and related parties of the Potential Investor

As at 31 December 2018, the total borrowings obtained from the Potential Investor and certain related parties of the Potential Investor amounted to RMB460,910,000 (equivalent to HK\$526,033,000) (2017: HK\$551,394,000) which included the loan novated from Beijing Wincapital to Pingyuan of RMB200,000,000 (equivalent to HK\$228,258,000) (2017: HK\$239,263,000) as detailed in Note 27(d) above.

All of these borrowings were overdue as at 31 December 2018. The Group has been actively negotiating with the lenders of the above borrowings for the renewal and extension of the repayment dates for a term of 2 years.

(g) Unsecured borrowings from other third parties

As at 31 December 2018, unsecured borrowings from other third parties comprised of: (i) loans from independent third parties of RMB1,000,000 (equivalent to HK\$1,141,000) (2017: equivalent to HK\$1,196,000), which bear interest at 12% per annum; (ii) a loan from an independent third party of US\$2,500,000 (equivalent to HK\$19,583,000) (2017: equivalent to HK\$19,542,000), which bear interest at 8% per annum; (iii) an interest-free loan of RMB4,879,000 (equivalent to HK\$5,569,000) (2017: equivalent to HK\$5,837,000) provided by a customer of the Group which is repayable on demand; (iv) loans from certain independent third parties of RMB7,000,000 (equivalent to HK\$7,989,000) (2017: equivalent to HK\$18,814,000), RMB17,000,000 (equivalent to HK\$19,402,000) (2017: equivalent to HK\$20,337,000), and RMB4,000,000 (equivalent to HK\$4,565,000) (2017: equivalent to HK\$4,786,000) which bear interest at rates of 21.6% per annum, 19.2% per annum and 36.5% per annum, respectively.

27 銀行及其他借貸（續）

(f) 來自潛在投資者及潛在投資者的關連方的無抵押借貸

於二零一八年十二月三十一日，自潛在投資者及潛在投資者的若干關連方取得借貸合共人民幣460,910,000元（相當於526,033,000港元）（二零一七年：551,394,000港元），其中包括由北京匯贏轉嫁予平原之貸款人民幣200,000,000元（相當於228,258,000港元）（二零一七年：239,263,000港元）（如上文附註27(d)詳述）。

於二零一八年十二月三十一日，所有該等借貸已逾期。本集團一直積極與上述借貸之放貸人進行磋商，以重續及延長償還日期兩年。

(g) 來自其他第三方的無抵押借貸

於二零一八年十二月三十一日，自其他第三方的無抵押借貸包括(i)來自獨立第三方之貸款人民幣1,000,000元（相當於1,141,000港元）（二零一七年：相當於1,196,000港元），按年利率12厘計息；(ii)來自一名獨立第三方之貸款2,500,000美元（相當於19,583,000港元）（二零一七年：相當於19,542,000港元），按年利率8厘計息；(iii)本集團一名客戶提供之免息貸款人民幣4,879,000元（相當於5,569,000港元）（二零一七年：相當於5,837,000港元），該款項須於要求時償還；(iv)來自若干獨立第三方之貸款人民幣7,000,000元（相當於7,989,000港元）（二零一七年：相當於18,814,000港元）、人民幣17,000,000元（相當於19,402,000港元）（二零一七年：相當於20,337,000港元）及人民幣4,000,000元（相當於4,565,000港元）（二零一七年：相當於4,786,000港元），分別按年利率21.6厘、年利率19.2厘及年利率36.5厘計息。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(g) Unsecured borrowings from other third parties (Continued)

During the year ended 31 December 2018, the Group obtained an interest-free loan from a potential business partner, which is also an independent third party, of RMB110,000,000 (equivalent to HK\$125,542,000) which is repayable on demand.

As at 31 December 2018, unsecured borrowing to the extent of HK\$52,680,000 (2017: HK\$64,675,000) and HK\$131,111,000 (2017: HK\$5,837,000) were overdue and repayable on demand, respectively.

(h) Secured borrowings from other third parties

As at 31 December 2017, secured borrowing from other third parties comprise of: (i) a loan from an independent third party of RMB2,300,000 (equivalent to HK\$2,751,000), which bears interest at 27.6% per annum and secured by a motor vehicle with net carrying amount of RMB3,615,000 (equivalent to HK\$4,325,000) and (ii) a loan from an independent third party of HK\$820,000, which is interest-free, secured by personal guarantee of Mr. Dong and repayable by May 2018. These loans have been fully repaid during the year ended 31 December 2018 except for the loan from the independent third party of HK\$820,000.

(i) The 12% Coupon Senior Bonds

On 13 June 2014, the Company completed a restructuring of its then existing 10% Coupon Senior Bonds and 6% Coupon Convertible Bonds with nominal amount of HK\$390,990,000 and HK\$181,575,000, respectively ("Bonds Restructuring").

27 銀行及其他借貸 (續)

(g) 來自其他第三方的無抵押借貸 (續)

於截至二零一八年十二月三十一日止年度，本集團已從一名潛在業務夥伴（其亦為一名獨立第三方）取得人民幣110,000,000元（相當於125,542,000港元）之免息貸款，其須按要求償還。

於二零一八年十二月三十一日，無抵押借貸金額52,680,000港元（二零一七年：64,675,000港元）及131,111,000港元（二零一七年：5,837,000港元）分別已逾期及按要求償還。

(h) 來自其他第三方的有抵押借貸

於二零一七年十二月三十一日，來自其他第三方的有抵押借貸包括(i)來自一名獨立第三方之貸款人民幣2,300,000元（相當於2,751,000港元），按年利率27.6厘計息，由一台賬面淨值為人民幣3,615,000元（相當於4,325,000港元）之汽車作擔保；(ii)來自一名獨立第三方之貸款820,000港元，為免息及由董先生提供的個人擔保作擔保，並須於二零一八年五月償還。該等貸款已於截至二零一八年十二月三十一日止年度悉數償還，惟來自獨立第三方之貸款820,000港元除外。

(i) 12%票面息優先債券

於二零一四年六月十三日，本集團完成對其當時面值分別為390,990,000港元及181,575,000港元的10%票面息優先債券及6%票面息可換股債券的重組（「債券重組」）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(i) The 12% Coupon Senior Bonds (Continued)

Key terms of the then existing 10% Coupon Senior Bonds have been amended as follows:

- (i) Interest rate: 12% per annum, which is repayable quarterly in arrears;
- (ii) Final maturity date: 12 December 2018;
- (iii) Repayment: The Company shall redeem the bonds at 100% of the remaining principal of HK\$390,990,000 in 8 quarterly instalments commencing 12 March 2017 to and including the Final Maturity Date;
- (iv) Redeemable in cash at the option of the Company at their early redemption amount calculated by using the bond principal with an interest rate of 12% payable on a quarterly basis, at any time prior to the final maturity date, providing that early redemption may not be exercised by the Company within 30 days of the end of a specific close period.

Details of the amendments to the terms of the then existing 6% Coupon Convertible Bonds have been disclosed in Note 28. The amendments are considered to be substantial modification of terms of these bonds and therefore have been accounted for as extinguishment of financial liabilities; and the amended Senior Bonds ("12% Coupon Senior Bonds") and amended convertible bonds ("8% Coupon Convertible Bonds") have been recognised upon the completion of the Bonds Restructuring.

27 銀行及其他借貸（續）

(i) 12%票面息優先債券（續）

當時10%票面息優先債券之主要條款修訂如下：

- (i) 年利率：12厘，每季度支付前期的利息；
- (ii) 最終到期日：二零一八年十二月十二日；
- (iii) 償還：本公司須於二零一七年三月十二日至最終到期日（包括該日），分8個季度等額贖回剩餘本金額390,990,000港元的債券100%；
- (iv) 於最終到期日前任何時間，本公司可選擇以現金支付提早贖回額贖回債券，提早贖回額按債券本金額及利率12厘作季度計算，惟本公司於指定關閉期間結束後起計30日內不得提早贖回債券。

修訂當時6%票面息可換股債券條款之詳情已於附註28披露。該等修訂被視為重大修訂該等債券之條款，並因此已列賬為金融負債之抵銷；而已修訂的優先債券（「12%票面息優先債券」）及已修訂的可換股債券（「8%票面息可換股債券」）已於完成債券重組後確認。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(i) The 12% Coupon Senior Bonds (Continued)

The 12% Coupon Senior Bonds with the embedded redemption options were initially recognised as a debt host contract, which was measured using an equivalent market interest rate for a similar bond without a redemption option, and are subsequently carried at amortised cost. The embedded redemption options were initially recognised as an embedded derivative, which was measured using valuation technique. At its initial recognition and at each subsequent reporting period end date, the fair value of the embedded redemption options was insignificant.

During the year ended 31 December 2014, the Company failed to make interest payment under the relevant terms and conditions of the Modified 10% Coupon Bonds (see note (j) below), 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds (Note 28) of HK\$1,420,000, HK\$11,698,000 and HK\$2,990,000, respectively. This constituted an event of default under the respective terms of the Bonds. As a result, the outstanding carrying amounts of the Modified 10% Coupon Bonds, 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds became immediately due and payable. In addition, all unwinding of interest was accelerated; and all the liabilities of the Bonds have been classified as current liabilities thereafter.

During the year ended 31 December 2018, the Company also failed to make further interest payments of the Bonds of HK\$13,112,000 (2017: HK\$43,561,000).

27 銀行及其他借貸（續）

(i) 12%票面息優先債券（續）

12%票面息優先債券連同內含之贖回權初步確認為債務主合同，按類似但不含贖回權的債券的相同市場利率計量，其後以攤銷成本列值。內含之贖回權初步確認為內含衍生工具，利用估值法計算。於初步確認時及其後各報告期結算日，內含之贖回權的公允價值並不重大。

截至二零一四年十二月三十一日止年度，本公司未能根據經修訂10%票面息債券（參見下文附註(j)）、12%票面息優先債券及8%票面息可換股債券（附註28）之相關條款及條件支付利息，分別為1,420,000港元、11,698,000港元及2,990,000港元。根據該等債券之相關條款，此事構成違約事件。因此，經修訂10%票面息債券、12%票面息優先債券及8%票面息可換股債券之未行使賬面值，成為即時到期應付。此外，所有利息撥回已加速，而該等債券之所有負債已於其後分類為流動負債。

截至二零一八年十二月三十一日止年度，本公司亦未能支付該等債券之進一步利息13,112,000港元（二零一七年：43,561,000港元）。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(i) The 12% Coupon Senior Bonds (Continued)

Despite the above, DB Trustees (Hong Kong) Limited, the trustee for the holders of the Bonds, has not demanded immediate repayment of the Bonds and their related interest up to the date of approval of the consolidated financial statements. The Group has been actively negotiating with the holders of the Bonds for the execution of the Debt Restructuring Proposal to facilitate the Group meeting its obligations. At the meetings of the holders of the 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds held on 21 June 2016 and 6 July 2016, respectively, extraordinary resolutions were passed and resolved that no holder of the 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds shall demand repayment of any amount due under the 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds or take any action to enforce the payment of monies or exercise any other right thereunder or otherwise take any action against the Company whether or not under the terms and conditions of the 12% Senior Bonds and 8% Coupon Convertible Bonds or request the trustee to take any of the foregoing actions.

Following the passing and effectiveness of these resolutions, the Company is preparing the necessary documents to submit to the courts for the relevant creditors' approval and court sanction for the Cayman Scheme and the Hong Kong Scheme under the Debt Restructuring Proposal.

The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.

27 銀行及其他借貸（續）

(i) 12%票面息優先債券（續）

儘管發生上述事件，截至綜合財務報表批准日期，德意志信託（香港）有限公司（為該等債券持有人之受託人）並無要求即時償還該等債券及其相關利息。本集團已積極與該等債券持有人進行磋商，以執行債務重組建議，促使本集團履行其責任。於二零一六年六月二十一日及二零一六年七月六日分別舉行的12%票面息優先債券及8%票面息可換股債券持有人大會通過特別決議案，12%票面息優先債券及8%票面息可換股債券持有人不得要求償還12%票面息優先債券及8%票面息可換股債券項下任何到期金額或採取任何行動迫使支付款項或行使其項下任何其他權利或以其他方式向本公司採取任何行動（不論是否根據12%票面息優先債券及8%票面息可換股債券之條款及條件）或請求受託人採取任何上述行動。

於該等決議案獲通過及生效後，本公司正在準備需呈交法院之文件，以獲得債務重組建議下開曼群島計劃及香港計劃之相關債權人批准及法院頒令。

本公司亦正積極與本公司的其他債權人磋商以執行債務重組建議。

Notes to the Consolidated Financial Statements

綜合財務報表附註

27 BANK AND OTHER BORROWINGS (Continued)

(i) The Modified 10% Coupon Bonds

The Group's Modified 10% Coupon Bonds were recognised on the remaining 284 then 10% Coupon Convertible Bonds of the Group with an aggregate nominal amount of HK\$28,400,000 (the "Modified 10% Coupon Bonds") as a result of the amendments to the terms and conditions governing the then 10% Coupon Convertible Bonds pursuant to an extraordinary resolution dated 31 May 2012.

Upon the amendment, the Group determined the fair value of the Modified 10% Coupon Bonds based on the valuation performed by Great China Appraisal Limited using an equivalent market interest rate for a similar bond without a conversion option.

The Modified 10% Coupon Bonds were matured on 12 March 2015. As at 31 December 2017 and 2018, an event of default occurred under the terms of the Modified 10% Coupon Bonds, details of which have been disclosed in note (i) above.

28 CONVERTIBLE BONDS

On 13 June 2014, the Company completed the Bonds Restructuring as stated in Note 27(i), whereupon the terms and conditions governing the 6% Convertible Bonds of the Group with aggregate nominal amount of HK\$181,575,000 have been amended as follows:

- (i) Amended the interest rate payable from 6% per annum to 8% per annum;
- (ii) Extended the final maturity date of the 8% Coupon Convertible Bonds from 12 March 2015 to 12 March 2018;
- (iii) The price at which ordinary shares will be issued upon conversion of the Convertible Bonds will be reduced to HK\$0.30 per ordinary share, subject to adjustment in the manner provided in the Convertible Bonds Trust Deed;

27 銀行及其他借貸（續）

(i) 經修訂10%票面息債券

由於根據日期為二零一二年五月三十一日之特別決議案對10%票面息可換股債券之條款及條件進行修訂，本集團經修訂10%票面息債券已於本集團餘下284份總面值28,400,000港元的10%票面息可換股債券（「經修訂10%票面息債券」）中確認。

於修訂完成後，本集團乃根據漢華評估有限公司利用同類債券（無轉換權）之相等市場利率作出之估值釐定經修訂10%票面息債券之公允價值。

經修訂10%票面息債券已於二零一五年三月十二日到期。於二零一七年及二零一八年十二月三十一日，根據經修訂10%票面息債券之條款發生違約事件，詳情於上文附註(i)披露。

28 可換股債券

於二零一四年六月十三日，本公司已完成債券重組（如附註27(i)所載），本集團總面額為181,575,000港元及票面息為6%之可換股債券之條款及條件已修訂如下：

- (i) 將應付年利率由6%修訂為8%；
- (ii) 將8%票面息可換股債券之最終到期日由二零一五年三月十二日延至二零一八年三月十二日；
- (iii) 兌換可換股債券後，將發行普通股之價格削減至每股普通股0.30港元（可按有關可換股債券信託契據規定之方式調整）；

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28 CONVERTIBLE BONDS (Continued)

- (iv) Amended to the Conversion Price re-set mechanics to provide a reduced Floor Price of HK\$0.18;
- (v) Added a provisional clause to the definition of "Relevant Event" (note) to ensure that the suspension of trading of the ordinary shares of the Company on the Stock Exchange at the completion date of the Debt Restructuring will not constitute a Relevant Event unless it continues for a period of 120 consecutive calendar days following 12 June 2014;
- (vi) Amended the Reserve Account arrangements to reduce the Required Minimum Balance from US\$10,000,000 to US\$1,000; and
- (vii) The addition of provisions which will require the Company to credit to the balance of the Reserve Account amounts calculated by reference to the volume of dry tonnes of ore exported to SEAM in the event that the current restrictions imposed on the export of ores under the Exclusive Offtake Agreement are lifted and which will require the Company to accelerate the payments schedule in such circumstances.

Note:

A "Relevant Event" occurs:

- (1) when the ordinary shares of the Company cease to be listed or admitted to trading, or the trading of which is suspended for a period of more than 90 consecutive calendars, on the Hong Kong Stock Exchange; or
- (2) when there is a change of control in the Company.

The amendments are considered to be substantial modification of terms of the 6% Convertible Bonds. Consequently, the 6% Convertible Bonds have been accounted for as extinguishment of financial liabilities and the 8% Coupon Convertible Bonds have been recognised upon the completion of the Bonds Restructuring.

28 可換股債券 (續)

- (iv) 修訂兌換價重設機制，訂明0.18港元之下調最低價格；
- (v) 對「有關事件」之定義新增臨時條文（附註），確保本公司普通股於債務重組完成日期暫停於聯交所買賣將不會構成一項有關事件，除非其於二零一四年六月十二日後持續為期連續120個曆日；
- (vi) 修訂儲備賬安排，以將規定最低結餘由10,000,000美元減至1,000美元；及
- (vii) 加入額外條文，條文規定假如撤銷對獨家採購協議項下出口礦石的現有限制，本公司須將參照出口往南洋礦業的礦石乾噸數量計算的數額計入儲備賬結餘內。在此等情況下，本公司須縮短付款時間表。

附註：

「有關事件」於以下情況發生：

- (1) 倘本公司普通股停止於香港聯交所上市或不再獲准於香港聯交所買賣，或倘股份已連續超過九十個曆日在香港聯交所暫停買賣；或
- (2) 倘本公司之控制權出現變動。

該等修訂被視為對6%票面息可換股債券之條款作出之重大修訂，因此，6%票面息可換股債券已列賬為金融負債之抵銷，而8%票面息可換股債券已於完成債券重組後確認。

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綜合財務報表附註

28 CONVERTIBLE BONDS (Continued)

The movements of the liability and derivative components of the Convertible Bonds are as follows:

28 可換股債券 (續)

可換股債券之負債及衍生工具部分之變動如下：

	Liability component of convertible bonds 可換股債券 之負債部分 HK\$'000 千港元	Derivatives financial instruments 衍生 金融工具 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	於二零一七年一月一日、 二零一七年十二月 三十一日、二零一八年 一月一日及二零一八年 十二月三十一日	46,775	— 46,775

The fair values of the derivatives were valued by Greater China Appraisal Limited using the scenario analysis model as at 31 December 2017. Management performed the valuation during the year and considered that this is no significant change in the values since 31 December 2017.

該等衍生工具之公允價值乃由漢華評值有限公司於二零一七年十二月三十一日利用場景分析模型作出估值。管理層於本年度進行估值，並認為價值自二零一七年十二月三十一日以來並無重大變動。

The Group also recognised a number of derivatives, based on the valuation performed by Greater China Appraisal Limited, the values of which comprise:

本集團亦根據漢華評值有限公司作出之估值確認數項衍生工具，其價值包括以下各項：

- (i) The fair value of the option of the bondholders to convert the 8% Coupon Convertible Bonds into ordinary shares of the Company at the conversion price;
- (ii) The fair value of the option of the Company to redeem the 8% Coupon Convertible Bonds; and
- (iii) The fair value of the potential option of the holders to request the Company to redeem the 8% Coupon Convertible Bonds upon the occurrence of Relevant Event.

- (i) 債券持有人按兌換價將8%票面息可換股債券轉換為本公司普通股的選擇權公允價值；
- (ii) 本公司贖回8%票面息可換股債券的選擇權公允價值；及
- (iii) 持有人要求本公司於發生有關事件後贖回8%票面息可換股債券的潛在選擇權的公允價值。

Notes to the Consolidated Financial Statements

綜合財務報表附註

28 CONVERTIBLE BONDS (Continued)

These options are interdependent as only one of these options can be exercised. Therefore, they are not able to be accounted for separately and a single compound derivative financial instrument was recognised. The Convertible Bonds are matured during the year ended 31 December 2018 and the options above are all expired as at 31 December 2018.

The 8% Coupon Convertible Bonds and the 12% Coupon Senior Bonds (as detailed in Note 27(i) above) are secured by (i) the pledge of the Group's time deposits amounting to HK\$12,000; (ii) all of the rights, interest, title and benefits of the Exclusive Offtake Agreement; and (iii) all of the shares held by First Elite Development Limited in S.E.A. Mining Limited, a private company incorporated in Hong Kong with limited liability, which is the sole legal and beneficial holder of the convertible bonds issued by Yiwan with principals amounting to HK\$46,500,000 and US\$3,000,000, respectively which are convertible into ordinary shares of Yiwan.

As at 31 December 2018 and 2017, an event of default occurred under the terms of the 8% Coupon Convertible Bonds, details of which have been disclosed in Note 27(i).

28 可換股債券（續）

該等選擇權相互關連，三者間僅有一項可被行使。因此，三者不能單獨確認，而被整體確認為單一的複合衍生金融工具。可換股債券於截至二零一八年十二月三十一日止年度到期，而上述購股權全部均於二零一八年十二月三十一日到期。

8%票面息可換股債券及12%票面息優先債券（如上文附註27(i)詳述）由下列各項作抵押：(i)質押本集團定期存款12,000港元；(ii)獨家採購協議之所有權利、權益、所有權及利益；及(iii) First Elite Development Limited 於南洋礦產有限公司持有之所有股份。南洋礦產有限公司乃一間於香港註冊成立的私人有限公司，為Yiwan所發行本金分別為46,500,000港元及3,000,000美元之可換股債券（可轉換為Yiwan的普通股）之唯一合法及實益持有人。

於二零一八年及二零一七年十二月三十一日，8%票面息可換股債券的條款發生違約事件，詳情於附註27(i)披露。

29 SHARE CAPITAL

29 股本

		2018 二零一八年		2017 二零一七年	
		Number of ordinary shares 普通股數目	HK\$'000 千港元	Number of ordinary shares 普通股數目	HK\$'000 千港元
Authorised (HK\$0.1 each):	法定（每股0.1港元）：				
At 1 January and 31 December	於一月一日及 十二月三十一日	5,000,000,000	500,000	5,000,000,000	500,000
Issued and fully paid (HK\$0.1 each):	已發行及繳足 （每股0.1港元）：				
At 1 January and 31 December	於一月一日及 十二月三十一日	3,088,131,105	308,813	3,088,131,105	308,813

Notes to the Consolidated Financial Statements

綜合財務報表附註

30 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

Under the Companies Law (2009 Revision) of the Cayman Islands, the share premium and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Contributed surplus

The contributed surplus of the Group represents the difference between the aggregate of the nominal value of the paid-up capital of Infonics acquired pursuant to the Group reorganisation on 29 April 2006 and the nominal value of the Company's shares issued in exchange therefor.

Capital reserve

At 31 December 2018, the balance of capital reserve is non-distributable and represents the additional contribution by a shareholder in 2003 amounting to HK\$36,047,000 (equivalent to approximately RMB37,147,000), and the capitalisation of payable to a shareholder amounting to HK\$79,760,000 (equivalent to approximately RMB85,000,000) in respect of which Mr. Dong waived his rights and benefits to the debts owed to him by Yongtong Special Steel in 2004.

Statutory reserves

In accordance with the Company Law of the PRC and the respective Articles of Association of Yongtong Special Steel, Yongtong Alloy Metals, Xiangtong Electricity, Yongtong Nickel, East Harvest Minerals, East Harvest Mining, Hongnie Trading, Yongtong Fully Lead and Henan Jiakun, these companies are each required to allocate 10% of their profit after tax, as determined in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP"), to the statutory surplus reserves (the "SSR") until these reserves reach 50% of the registered capital.

30 儲備

本集團本年度及過往年度儲備的金額及其變動在綜合財務報表的綜合權益變動表中列示。

股份溢價

根據開曼群島公司法（二零零九年修訂本），股份溢價及實繳盈餘可分派予本公司股東，條件為本公司於緊隨建議分派股息當日有能力償還在日常業務過程中到期的債項。

實繳盈餘

本集團之實繳盈餘指根據於二零零六年四月二十九日之本集團重組所收購Infonics之繳足股本總面值與本公司就交換有關股本而發行之股份之面值之差額。

資本儲備

於二零一八年十二月三十一日，資本儲備結餘乃不可分派之儲備，包含一名股東於二零零三年增資之36,047,000港元（相等於約人民幣37,147,000元）以及二零零四年董先生同意放棄永通特鋼向其結欠之債務之權利及利益，將應付股東款項79,760,000港元（相等於約人民幣85,000,000元）撥充資本。

法定儲備

根據中國公司法以及永通特鋼、永通合金、祥通發電、永通不銹鋼、東茂礦產品、東茂礦業、宏錫貿易、永通豐泰及河南家坤之章程細則，該等公司各自須按根據中國公認會計原則（「中國公認會計原則」）計算之除稅後溢利之10%計提法定公積金（「法定公積金」），直至該等儲備分別達到各自註冊資本之50%為止。

Notes to the Consolidated Financial Statements

綜合財務報表附註

30 RESERVES (Continued)

Statutory reserves (Continued)

Subsequent to the re-registration of Yongtong Special Steel as a wholly-foreign-owned company on 10 November 2003, allocation to the SSR was no longer required. According to the relevant PRC regulations applicable to wholly-foreign-owned companies, Yongtong Special Steel is required to allocate a certain portion (not less than 10%) of its profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until this reserve reaches 50% of its registered capital.

The SSR and SRF are non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

Distributable reserves

For dividend purposes, the amount which the PRC subsidiaries can legally distribute by way of a dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in this report which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC subsidiaries can be distributed as dividends after the appropriations to the SSR and SRF set out above.

31 SHARE OPTION SCHEME

On 2 May 2005, the Company approved a share option scheme (the "Share Option Scheme") under which the Directors may, at their discretion, grant options to the Directors and employees of the Group to subscribe for shares in the Company. The subscription price for shares under the Share Option Scheme will be determined by the Directors, which shall be calculated at the time of grant of the relevant option and shall not be less than the highest of (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; and (iii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option.

30 儲備 (續)

法定儲備 (續)

永通特鋼於二零零三年十一月十日重新註冊為外商獨資企業後毋須再計提法定公積金。根據適用於外商獨資企業之有關中國法規，永通特鋼須將根據中國公認會計原則計算之除稅後溢利按若干比例（不少於10%）提撥法定準備金（「法定準備金」），直至該儲備達到永通特鋼註冊資本之50%為止。

除非公司清盤，否則法定公積金與法定準備金概不可分派，但可在符合中國有關法規所載之若干限制下用於抵銷累計虧損或資本化為繳足股本。

可供分派儲備

就股息而言，中國附屬公司可合法分派之股息金額，乃參考按照中國公認會計原則編製之中國法定財務報表所反映之可供分派溢利而釐定。有關溢利與按照國際財務報告準則編製之本報告所反映之溢利並不相同。

根據中國公司法，中國附屬公司除稅後溢利在按上文所述提撥至法定公積金及法定準備金後，可分派作股息。

31 購股權計劃

於二零零五年五月二日，本公司批准一項購股權計劃（「購股權計劃」），據此，董事可酌情授予本集團董事及僱員認購本公司股份之購股權。購股權計劃之股份認購價將由董事於授出有關購股權當時釐定，不得低於下列各項之最高者：(i) 股份面值；(ii) 於授出有關購股權當日（必須為營業日）聯交所每日報價表所列股份之收市價；及(iii) 緊接授出有關購股權當日前五個營業日聯交所每日報價表所列之股份平均收市價。

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綜合財務報表附註

31 SHARE OPTION SCHEME (Continued)

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not exceed 10% of the share capital of the Company in issue and may not exceed in nominal value 30% of the issued share capital of the Company in issue for a period of 10 consecutive years. The Share Option Scheme will remain in force for the period of 10 years commencing on 2 May 2005. No option may be granted to any one person which, if exercised in full, would result in the total number of shares which were already issued and may fall to be issued to him under all the options previously granted to him pursuant to the Share Option Scheme in any 12-month period up to the date of grant, exceeding 1% of the maximum aggregate number of shares for the time being issued and which may fall to be issued under the Share Option Scheme.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In additions, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of offer of the share options. The options will have a vesting schedule of five years whereby only 20% of the options shall be exercisable 12 months after the grant date and an additional 20% may be exercised by the grantee in each subsequent year until five years later when 100% of the options may be exercised.

31 購股權計劃（續）

根據購股權計劃可授出之購股權涉及之股份數目最多不得超過本公司已發行股本之10%，亦不得超過本公司已發行股本面值之30%，連續十年有效。購股權計劃自二零零五年五月二日起計十年有效。倘於截至授出日期止任何12個月期間全面行使過往根據購股權計劃授予一名人士之全部購股權將導致已經或將可向其發行之股份總數超過當時根據購股權計劃已經及將可發行之股份總數上限1%，則不得向其授出購股權。

授予本公司董事、首席執行官或主要股東，或任何彼等之聯繫人之購股權須事先經獨立非執行董事准許。此外，倘授予本公司主要股東或獨立非執行董事，或任何彼等之聯繫人之購股權於任何12個月期間的任何時間超出本公司已發行股份0.1%或總值（根據本公司於授出日期之股份價格）超過5百萬港元，均須預先得到股東於股東大會上批准。

提呈授出之購股權可於提呈日期起計28日內接納，而承授人須支付合共1港元之象徵式代價。所授出之購股權之行使期由各董事釐定，經過一段歸屬期後可開始行使，而屆滿日期不得遲於提呈購股權日期起計十年。購股權之歸屬期為五年，據此，僅20%購股權可於授出日期後12個月行使，而其後每年承授人將可行使額外20%購股權，直至五年期後購股權可全數行使。

Notes to the Consolidated Financial Statements

綜合財務報表附註

31 SHARE OPTION SCHEME (Continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Share Option Scheme during the year:

		2018 二零一八年		2017 二零一七年	
		Weighted average exercise price 加權平均 行使價 HK\$ per share 每股港元	Number of options 購股權數目 '000 千份	Weighted average exercise price 加權平均 行使價 HK\$ per share 每股港元	Number of options 購股權數目 '000 千份
At 1 January	於一月一日	0.99	33,385	1.04	38,535
Forfeited during the year	於年內沒收	–	–	1.37	(5,150)
Expired during the year	於年內屆滿	2.45	(6,585)	–	–
At 31 December	於十二月三十一日	0.63	26,800	0.99	33,385

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

於報告期末尚未行使之購股權之行使價及行使期如下：

		2018 二零一八年	2017 二零一七年
Exercise price ¹ HK\$ per share 行使價 ¹ 每股港元	Exercise period 行使期	Number of options 購股權數目 '000 千份	'000 千份
2.45	20 March 2009 to 19 March 2018 二零零九年三月二十日至 二零一八年三月十九日	–	6,585
0.63	20 Jan 2013 to 19 Jan 2022 二零一三年一月二十日至 二零二二年一月十九日	26,800	26,800
		26,800	33,385

¹ The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

¹ 於供股及紅股發行或於本公司其他類似股本變動之情況下，購股權行使價可予調整。

Notes to the Consolidated Financial Statements

綜合財務報表附註

31 SHARE OPTION SCHEME (Continued)

No share option expense was charged to the consolidated income statement during the year (2017: HK\$22,000).

At the end of the reporting period, the Company had 26,800,000 (2017: 33,385,000) share options outstanding under the Share Option Scheme, which represented approximately 0.87% (2017: 1.08%) of the Company's shares in issue as at 31 December 2018. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 26,800,000 (2017: 33,385,000) additional ordinary shares of the Company and an additional share capital of HK\$2,680,000 (2017: HK\$3,338,500) and share premium of HK\$14,204,000 (2017: HK\$29,678,750) (before issue expenses).

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES

The Group follows the guidance of IAS37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when contingent liabilities should be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsels and advisors, and the management's intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

31 購股權計劃 (續)

於本年度概無於綜合收益表扣除購股權開支 (二零一七年: 22,000港元)。

於報告期末,本公司根據購股權計劃,有26,800,000份(二零一七年: 33,385,000份)尚未行使之購股權,佔本公司於二零一八年十二月三十一日之已發行股份約0.87%(二零一七年: 1.08%)。在本公司現行股本結構下,倘悉數行使尚未行使之購股權,將導致本公司額外發行26,800,000股(二零一七年: 33,385,000股)本公司之普通股,增添股本2,680,000港元(二零一七年: 3,338,500港元),以及扣除發行開支前之股份溢價14,204,000港元(二零一七年: 29,678,750港元)。

32 或然負債、申索及糾紛

本集團遵從國際會計準則第37號「撥備、或然負債及或然資產」的指引,以斷定何時應確認或然負債,過程中需要作出重大的判斷。

當有可能產生責任,惟其存在與否須透過非本集團所能控制的未來事件確定,或當不可能計算責任所涉金額,則會披露為或然負債。任何目前未確認或披露的或然負債一旦實現,均有可能對本集團的財務狀況造成重大影響。

本集團會審閱重大的待決訴訟,以評估有否撥備的需要。所考慮的因素包括訴訟的性質、法律程序及損害賠償的潛在程度、法律顧問及諮詢人的意見及見解以及管理層對回應訴訟的意向。倘估計及判斷與實際結果不相符,則有可能嚴重影響期內業績及財務狀況。

Notes to the Consolidated Financial Statements

綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(a) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers")

In March 2014, the Company received certain legal letters (the "Letters") from the Buyers dated 20 March 2014, which purported to be statutory demands serviced to the Company pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) ("Statutory Demand").

The Letters concern disputes between the Group and the Buyers relating to certain primary contracts for the sale and purchase of Indonesian iron ores, and contain claims for (i) an amount of US\$10,347,698 (equivalent to approximately HK\$80,242,000) which comprises the demand for return of an advance payment made by RR to the Group of US\$3,000,000 (equivalent to approximately HK\$23,264,000) and interest thereon to the extent of US\$7,347,698 (equivalent to approximately HK\$56,978,000) payable up to 20 March 2014; and (ii) an amount of RMB70,355,783 (equivalent to approximately HK\$89,488,000) which comprises the demand for return of an advance payment made by UM to the Group of RMB20,000,000 (equivalent to approximately HK\$25,438,000) and interest thereon to the extent of RMB50,355,783 (equivalent to approximately HK\$64,050,000) payable up to 20 March 2014. The Company as guarantor to the abovementioned primary contracts is therefore also a party to these litigations.

On 4 April 2014, the Group issued a legal letter to the legal representative of the Buyers requesting them to withdraw the Statutory Demand as the Group considers that it has bona fide defences on substantial grounds to the claims asserted from the Buyers, and the Group also considers it has very substantial counterclaims against the Buyers as a result of their non-performance of the relevant contracts.

32 或然負債、申索及糾紛 (續)

(a) 與Rock Resource Limited (「RR」) 及United Mineral Limited (「UM」) (統稱「買家」)之訴訟

於二零一四年三月，本公司接獲買家發出日期為二零一四年三月二十日的若干法律函件(「該等函件」)，其中聲稱為根據《公司(清盤及雜項條文)條例》(第32章)第178(1)(a)條向本公司呈遞之法定要求索償書(「法定要求索償書」)。

該等函件涉及本集團與買家就買賣印尼鐵礦石而簽訂的若干主要合約的糾紛，其中載有以下索償：(i)一筆為數10,347,698美元(相等於約80,242,000港元)的款項，包含RR向本集團要求退還已付墊款3,000,000美元(相等於約23,264,000港元)連同其中利息，金額最多為截至二零一四年三月二十日止應付的7,347,698美元(相等於約56,978,000港元)；及(ii)一筆為數人民幣70,355,783元(相等於約89,488,000港元)的款項，包含UM向本集團要求退還已付墊款人民幣20,000,000元(相等於約25,438,000港元)連同其中利息，金額最多為截至二零一四年三月二十日止應付的人民幣50,355,783元(相等於約64,050,000港元)。由於本公司為上述主要合約之擔保人，因此亦屬該等訴訟之一方。

於二零一四年四月四日，本集團向買家的法律代表發出法律函件，要求他們撤回法定要求索償書，理由是本集團認為其就買家提出的索償有實質理據作出真誠抗辯，且本集團亦認為基於買家亦未有履行有關合約，可向買家提出非常重大的反索償。

Notes to the Consolidated Financial Statements

綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(a) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers") (Continued)

On 7 April 2014, the Group received another legal letter from the legal representative of the Buyers informing that the Buyers will not present their winding up petition against the Company without serving a 3-day notice.

On 11 April 2014, the Company received another statutory demand from the legal representative of UM to claim for certain interest charge ("Interest Charge") on certain loans provided by UM to the Group (the principal of which had been fully repaid before 31 December 2013) calculated up to 11 April 2014 (as supplemented by another legal letter dated 15 April 2014), together with the related penalty, to the extent of US\$3,839,000 (equivalent to approximately HK\$29,770,000). The Group has subsequently replied, through its legal representative, that most of the claimed Interest Charge are unenforceable at law but agreed to pay the relevant interest charge (after tax) calculated under normal contract terms in the amount of US\$345,000 (equivalent to approximately HK\$2,675,000) which had been provided for during the year ended 31 December 2013.

On 9 May 2014, the Group received another legal letter from the legal representative of UM informing that UM will not present its winding up petition against the Company without serving a 3-day notice.

In October 2014, the legal representative of UM issued a letter to the Group requesting payment for the amount of US\$345,000 and the Group fully settled the amount in November 2014.

32 或然負債、申索及糾紛 (續)

(a) 與Rock Resource Limited (「RR」) 及United Mineral Limited (「UM」) (統稱「買家」)之訴訟 (續)

於二零一四年四月七日，本集團接獲買家法律代表另一封法律函件，通知本集團買家不會在未有發出3天通知的情況下，提請本公司清盤。

於二零一四年四月十一日，本公司接獲UM法律代表另一項法定要求索償書（經日期為二零一四年四月十五日另一封法律函件補充），申索有關UM向本集團提供若干貸款（本金額已於二零一三年十二月三十一日前全數償還）截至二零一四年四月十一日止之若干利息收費（「利息收費」），連同有關罰金，金額最多為3,839,000美元（相等於約29,770,000港元）。本集團隨後透過其法律代表回覆，申索的大部分利息收費在法律上為不可強制執行，但同意支付按正常合約條款計算的相關利息收費（稅後）345,000美元（相等於約2,675,000港元），有關金額已於截至二零一三年十二月三十一日止年度作出撥備。

於二零一四年五月九日，本集團接獲UM法律代表另一封法律函件，通知本集團UM不會在未有發出3天通知的情況下，提請本公司清盤。

於二零一四年十月，UM法律代表向本集團發出函件，要求支付345,000美元之金額，本集團已於二零一四年十一月悉數結付有關金額。

Notes to the Consolidated Financial Statements

綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(a) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers") (Continued)

On 18 November 2014, a subsidiary of the Group received a legal letter from RR, which purported to be statutory demand serviced to the subsidiary pursuant to section 254(2)(a) of the Singapore Companies Act (Cap.50), requesting for settlement of a payable of US\$1,726,000 (equivalent to approximately HK\$13,387,000) (the "Unpaid Invoices"), which has been included as current liabilities of the Group in the consolidated financial statements.

On 8 December 2014, the Group issued a legal letter to RR requesting RR to withdraw such statutory demand and confirm that RR will not commence winding up of the aforementioned subsidiary as the Group considers it has bona fide defences on substantial grounds to the claims asserted in RR's letter dated 18 November 2014 and significant cross-claims against RR and therefore the Unpaid Invoices should not be settled at this stage since the Group would be entitled to set these sums off against its very substantial counterclaims for RR and/or UM.

On 8 September 2015, Easyman entered into a Swap of Debt Agreement with RR and CNR Group Holdings Pte Ltd ("CNRG"), a then subsidiary of the Group, which gave effect to provide a charge over a total of 31,762,295 shares in the Company to RR as a security for the above litigation. These shares can be used by RR for settlement of any liabilities that may arise and become payable by the Group to RR in respect of the above litigation.

32 或然負債、申索及糾紛（續）

(a) 與Rock Resource Limited（「RR」）及United Mineral Limited（「UM」）（統稱「買家」）之訴訟（續）

於二零一四年十一月十八日，本集團附屬公司接獲RR之法律函件，指稱根據新加坡公司法（第50章）第254(2)(a)條向附屬公司送達法定要求索償書，要求清償應付款項1,726,000美元（相當於約13,387,000港元）（「未付發票」），有關金額已計入本集團綜合財務報表流動負債。

於二零一四年十二月八日，本集團向RR發出法律函件，要求RR撤回該法定要求索償書，並確認RR將不會展開上述附屬公司之清盤，理由是本集團認為其就RR日期為二零一四年十一月十八日之函件提出的索償有實質理據作出真誠抗辯及針對RR提出重大交叉索償，而由於本集團將有權針對RR及／或UM之非常重大反索償抵銷該等款項，故此於現階段毋須結付未付發票。

於二零一五年九月八日，Easyman與RR及本集團當時之附屬公司CNR Group Holdings Pte Ltd（「CNRG」）訂立一份債務互換協議，據此將本公司超過合計31,762,295股股份押記予RR作為上述訴訟的抵押品。RR可將該等股份用於清償上述訴訟可能產生且本集團因上述訴訟須付予RR的任何負債。

Notes to the Consolidated Financial Statements

綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(a) Litigation with Rock Resource Limited ("RR") and United Mineral Limited ("UM") (collectively referred to as the "Buyers") (Continued)

In order to resolve certain of the above claims and disputes, Yongtong Special Steel and CNRG, subsidiaries of the Group, also entered into an agreement with RR on 6 June 2016, pursuant to which, and on a "no admission of liability" basis that, Yongtong Special Steel shall deliver certain equipment to RR as a consideration for offsetting any payables due by the Group to RR to the extent of RMB30,000,000 (the "Consideration Equipment"). Upon delivery of all relevant equipment and acknowledgement receipt by RR, any liabilities that the Group may owe to RR shall be reduced by RMB30,000,000. These equipment have been delivered to and acknowledged receipt by RR before 31 December 2016.

During the year ended 31 December 2017, the Company, Mr. Dong and the Buyers entered into a settlement agreement (the "Settlement Agreement") pursuant to which all these parties agreed to fully settle the above litigation matters, amongst other terms and conditions, at an aggregate consideration of US\$12,000,000 as follows:

- (i) an amount of US\$5,000,000 to be satisfied by the aforementioned Consideration Equipment of Yongtong Special Steel delivered to RR during the year ended 31 December 2016; and
- (ii) the remaining amount of US\$7,000,000 to be settled by Mr. Dong on behalf of the Company, by transferring his entire personally interest in 50% equity interests in an unlisted entity to UM or a party specified by UM.

As at 31 December 2018, the above Settlement Agreement is still under execution. Based on the terms of the Settlement Agreement, the directors consider that the Settlement Agreement will be fully executed in 2019 and no material loss to the Group will be resulted upon final settlement of the above litigation matters.

32 或然負債、申索及糾紛 (續)

(a) 與Rock Resource Limited (「RR」) 及United Mineral Limited (「UM」) (統稱「買家」)之訴訟 (續)

為了解決上述若干申索及糾紛，本集團附屬公司永通特鋼及CNRG與RR於二零一六年六月六日訂立一份協議，據此及按「無須承擔責任」的基準，永通特鋼將會向RR交付若干設備，作為抵銷本集團應向RR支付的任何應付款項的代價，金額達人民幣30,000,000元（「代價設備」）。在交付所有相關設備及RR提供接收憑證後，本集團可能欠RR的任何負債將會減少人民幣30,000,000元。於二零一六年十二月三十一日之前，該等設備已交付予RR，並由RR確認接收。

截至二零一七年十二月三十一日止年度，本公司、董先生與買方訂立和解協議（「和解協議」），據此，所有該等訂約方同意以總代價12,000,000美元（以及根據其他條款及條件）就上述訴訟事宜作出全面和解如下：

- (i) 5,000,000美元將以前述於截至二零一六年十二月三十一日止年度交付予RR的永通特鋼代價設備結清；及
- (ii) 餘款7,000,000美元將由董先生透過將其於一間非上市實體50%股本權益中的全部個人權益轉讓予UM或UM指定的一名人士代本公司結清。

於二零一八年十二月三十一日，上述和解協議仍在執行中。根據和解協議的條款，董事認為和解協議將於二零一九年全面執行，而本集團將不會因上述訴訟事宜的最終和解產生重大虧損。

Notes to the Consolidated Financial Statements

綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(b) Dispute on Contracts of Affreightment ("COAs")

- (i) The Group entered into certain COAs with various marine vessel owners committing certain minimum number of cargoes per calendar month for exporting iron ores from Indonesia. As a result of the unfavourable economic environment and the various changes in rules and regulations stipulated by the Indonesian government authorities since year 2012, the Group's ores export was adversely affected and therefore unable to fulfil the minimum cargoes commitments as stipulated by some of these COAs.

During the year ended 31 December 2014, the Group received various legal letters from TORM A/S ("TORM"), a marine vessel owner, to (i) claim for an outstanding freight charges payable by the Group to TORM of approximately US\$1,834,000 (equivalent to approximately HK\$14,268,000) ("Outstanding Freight Charges"); and (ii) notify the commencement of arbitration proceedings pursuant to the terms of the relevant COAs to claim for loss and damage suffered by TORM ("Other Losses") with respect to approximately 51 unfulfilled cargoes under the terms of the relevant COAs which is estimated by TORM to be approximately US\$11,828,000 (equivalent to approximately HK\$91,721,000) up to 27 March 2014 (the amount stated in the latest claim submissions from TORM).

The dispute with TORM in respect of the Outstanding Freight Charges had been settled at an amount of US\$419,000 (equivalent to HK\$3,253,000) during the year ended 31 December 2014 and the claim had been fully discharged in June 2014.

In connection with the claims on Other Losses, the Group has engaged legal advisors to commence arbitration procedures with TORM in February 2014.

32 或然負債、申索及糾紛 (續)

(b) 就租船貨運合約(「租船貨運合約」)的爭議

- (i) 本集團與多名船主訂立若干租船貨運合約，承諾每個曆月要求若干最低數目的貨船從印尼出口鐵礦石。鑒於不利的經濟環境，再加上印尼政府頒佈的規則及規例自二零一二年起有不少的變動，本集團的礦石出口受到不利影響，因而無法達到若干租船貨運合約規定的貨船最低數目承諾。

截至二零一四年十二月三十一日止年度，本集團接獲船主TORM A/S (「TORM」) 的多封法律函件，內容為(i)申索本集團應付TORM的未支付運費約1,834,000美元(相等於約14,268,000港元)(「未支付運費」)；及(ii)通知根據有關租船貨運合約的條款展開仲裁程序，申索TORM根據有關租船貨運合約的條款就約51艘未履行的貨船蒙受的損失及損害(「其他損失」)，TORM估計截至二零一四年三月二十七日之金額約為11,828,000美元(相等於約91,721,000港元)，金額載於TORM提交的最近期申索呈請書內。

與TORM爭議相關的未支付運費已於截至二零一四年十二月三十一日止年度清償419,000美元(相當於3,253,000港元)，而有關申索已於二零一四年六月全面解除。

至於其他損失的申索，本集團於二零一四年二月委聘法律顧問與TORM展開仲裁程序。

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綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(b) Dispute on Contracts of Affreightment ("COAs") (Continued)

(i) (Continued)

During the year ended 31 December 2018, the Group has been actively negotiating with TORM on settlement of the above claims on Other Losses. In preparing these consolidated financial statements, the directors have obtained legal advice in this respect and, based on the current status of the proceedings, evidence exchanged and the latest communication with TORM, consider that most likely the Group will be able to settle the claims on Other Losses at a consideration of approximately US\$5 million (equivalent to HK\$38,782,000). A provision for claims of the same amount has been made by the Group during the year ended 31 December 2015.

- (ii) On 21 November 2018, the Group received a Statutory Demand under Section 178 (1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32) from PCL (Shipping) Pte Ltd ("PCL") in respect of a Final Partial Arbitration Award dated 11 October 2018 (the "Award") demanding the Group for an aggregate amount of approximately HK\$17.4 million mainly relating to detention and demurrage claims under a COA that the Group entered into with PCL, together with the related interest charges and legal costs. On 23 November 2018, PCL issued another legal letter to the Group proposing a settlement schedule with the Group on the above Award, together with another claim under arbitration proceedings with the Group in relating to certain unpaid freight and demurrage arising out of certain other shipments under the above COA amounting to approximately HK\$32 million. All these claims have been fully provided for and included as current liabilities in the consolidated financial statements of the Group as at 31 December 2018. The directors have already engaged legal advisors to assist in resolving the above claims with PCL.

32 或然負債、申索及糾紛 (續)

(b) 就租船貨運合約(「租船貨運合約」)的爭議 (續)

(i) (續)

截至二零一八年十二月三十一日止年度，本集團一直積極與TORM磋商就上述有關其他損失的申索達成和解。董事在編製該等綜合財務報表時，已就此獲取法律意見，並基於法律程序目前的進展、所交換的證據及與TORM的最新通訊，認為本集團極有可能將能夠以代價約5百萬美元（相當於38,782,000港元）就其他損失的申索達成和解。本集團於截至二零一五年十二月三十一日止年度已計提相同金額的申索撥備。

- (ii) 於二零一八年十一月二十一日，本集團接獲PCL (Shipping) Pte Ltd (「PCL」) 根據公司(清盤及雜項條文)條例(第32章)第178(1)(a)條發出之法定要求償還書，內容有關日期為二零一八年十月十一日之最終部分仲裁裁決(「裁決」)，要求本集團支付主要有關根據本集團與PCL訂立之租船貨運合約申索之延遲及滯期費總金額約17,400,000港元，連同相關利息收費及法律成本。於二零一八年十一月二十三日，PCL向本集團發出另一份法律函件，向本集團建議上述裁決(連同根據與本集團之仲裁訴訟有關之因上述租船貨運合約之若干其他付運產生之若干未支付運費及滯期費約32,000,000港元之另一項申索)之償還時間表。所有該等申索已悉數撥備及計入本集團於二零一八年十二月三十一日之綜合財務報表為流動負債。董事已委聘法律顧問以協助解決PCL之上述申索。

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綜合財務報表附註

32 CONTINGENT LIABILITIES, CLAIMS AND DISPUTES (Continued)

(b) Dispute on Contracts of Affreightment ("COAs") (Continued)

As at 31 December 2018 and up to the date of approval of the consolidated financial statements, based on the best knowledge and information of the directors, there are no other major claims in relation to any COAs that the Group has entered into saved as disclosed in these consolidated financial statements.

Should the resolution of these legal claims and disputes turn out to be unfavourable to the Group, the Group may need to record additional losses in respect of these claims and disputes in future reporting periods.

33 OPERATING LEASE ARRANGEMENT – AS LESSEE

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years. At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

32 或然負債、申索及糾紛（續）

(b) 就租船貨運合約（「租船貨運合約」）的爭議（續）

於二零一八年十二月三十一日及截至綜合財務報表批准日期，據董事深知及盡悉，除綜合財務報表所披露者外，本集團再無涉及其訂立任何有關租船貨運合約之其他重大申索。

如上述法律申索及爭議的最終結果不利於本集團，本集團可能需在未來報告期間就該等申索及爭議錄得額外的損失。

33 經營租賃安排—作為承租人

本集團根據經營租賃安排租用若干物業。經商定之物業租賃年期介乎兩至三年。於二零一八年十二月三十一日，本集團於下列各段期間到期根據不可撤銷經營租賃之未來最低租金付款總額如下：

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Within one year	一年內	3,045	2,802
In the second to fifth years, inclusive	第二至第五年 (包括首尾兩年)	1,399	180
		4,444	2,982

Notes to the Consolidated Financial Statements

綜合財務報表附註

34 COMMITMENTS

In addition to the operating lease commitments detailed in Note 33 above, the Group had the following capital commitments at the end of the reporting period:

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Contracted, but not provided for:	已訂約但未撥備：		
Property, plant and equipment	物業、廠房及設備	106,258	49,292

35 RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the consolidated financial statements, the Group had the following material transactions and outstanding balances with related parties during the year and as at the end of the reporting period:

Transactions with related parties

Names of related parties 關連方名稱	Nature of transactions 交易性質	2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Easyman (note a) Easyman (附註a)	Interest expense (note b) 利息費用 (附註b)	3,726	3,096
Ms. Sun Qiaodian ("Ms. Sun") (note d) 孫巧點女士 (「孫女士」) (附註d)	Interest expense (note d) 利息費用 (附註d)	12,976	12,683

34 承擔

除上文附註33中詳列之經營租賃承擔外，本集團於報告期末之資本承擔如下：

35 關連方交易

除於綜合財務報表其他地方詳述之交易外，本集團於年內及報告期末與關連方進行之重大交易及與關連方之未結餘額如下：

與關連方的交易

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綜合財務報表附註

35 RELATED PARTY TRANSACTIONS (Continued) Outstanding balances with related parties

35 關連方交易（續） 與關連方的未結餘額

		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
Prepayments to Yiwan (Note 22) (notes a and c)	預付Yiwan之款項 (附註22) (附註a及c)	12,581	12,463
Loan to Full Harvest Development Limited (Note 18)	貸款予豐盛發展有限公司 (附註18)	56,975	56,975
Amounts due to Easyman (note b)	結欠Easyman款項 (附註b)	60,775	57,564
Amount due to Ms. Sun (note d)	結欠孫女士款項 (附註d)	29,331	30,745
Amounts due to a director, Mr. Dong Chengzhe (note e)	結欠一名董事董鉞喆先生 款項 (附註e)	1,927	2,132
Amounts due to Mr. Dong (note e)	結欠董先生款項 (附註e)	88,134	61,709

Notes:

- (a) Easyman is a company wholly owned by Mr. Dong. The Directors consider that Mr. Dong through Easyman, as a lender of Yiwan, has an indirect economic interest in Yiwan.
- (b) Details of the terms of amounts due to Easyman are disclosed in Note 27.
- (c) Prepayments are made to Yiwan for purchases of iron ores. The amount is unsecured and interest free and will be settled by offsetting the relevant purchases. Also see Note 22.
- (d) Ms. Sun Qiaodian is the spouse of Mr. Dong. Amount due to Ms. Sun is unsecured and is repayable by 31 December 2018. Interest is calculated at mutually agreed terms.
- (e) Amounts due to Directors are unsecured, interest free and repayable on demand.
- (f) Details of compensation of key management personnel of the Group are included in Note 10 to the consolidated financial statements.

附註：

- (a) Easyman乃一間由董先生全資擁有之公司。董事認為董先生通過Easyman作為Yiwan之放款人而於Yiwan擁有間接經濟利益。
- (b) 結欠Easyman款項條款之詳情披露於附註27。
- (c) 預付Yiwan之款項因購買鐵礦石而作出。該金額為無抵押及免息，並將以抵銷相關購買而清償。亦見附註22。
- (d) 孫巧點女士為董先生之配偶。結欠孫女士款項為無抵押及須於二零一八年十二月三十一日償還。利息是按相互同意條款計算。
- (e) 結欠董事款項為無抵押、免息及於要求時償還。
- (f) 本集團主要管理人員之報酬詳情載於綜合財務報表附註10。

Notes to the Consolidated Financial Statements

綜合財務報表附註

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

36 本公司之財務狀況表及儲備變動

本公司財務狀況表

		As at 31 December 於十二月三十一日	
		2018 二零一八年 HK\$'000 千港元	2017 二零一七年 HK\$'000 千港元
ASSETS	資產		
Non-current assets	非流動資產		
Property, plant and equipment	物業、廠房及設備	49	40
Interests in subsidiaries	於附屬公司之權益	—	137,826
		49	137,866
Current assets	流動資產		
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	803	2,588
Pledged time deposits	已抵押定期存款	13	13
Cash and cash equivalents	現金及現金等值物	392	299
		1,208	2,900
Total assets	總資產	1,257	140,766
EQUITY	權益		
Share capital	股本	308,813	308,813
Reserves	儲備	(note (a)) (附註(a))	(1,141,229)
Total Shareholders' deficit	股東虧絀總額	(1,085,704)	(832,416)
LIABILITIES	負債		
Current liabilities	流動負債		
Other payables and accruals	其他應付款項及應計費用	619,976	506,197
Bank and other borrowings	銀行及其他借貸	420,210	420,210
Convertible bonds	可換股債券	46,775	46,775
		1,086,961	973,182
Total liabilities	總負債	1,086,961	973,182
Total equity and liabilities	權益及負債總額	1,257	140,766

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf.

本公司之財務狀況表獲董事會於二零一九年三月二十九日批准及代其簽署。

Dong Shutong
董書通
Director
董事

Yang Fei
楊飛
Director
董事

Notes to the Consolidated Financial Statements

綜合財務報表附註

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Statement of financial position of the Company (Continued)

Note (a) Reserve movement of the Company

36 本公司之財務狀況表及儲備變動 (續)

本公司財務狀況表 (續)

附註(a) 本公司儲備變動

		Share premium 股份溢價 HK\$'000 千港元	Contributed surplus 實繳盈餘 HK\$'000 千港元 (note) (附註)	Share option reserve 購股權儲備 HK\$'000 千港元	Accumulated losses 累計虧損 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 January 2017	於二零一七年一月一日	3,237,077	296,966	37,387	(4,148,706)	(577,276)
Total comprehensive loss for the year	年度全面虧損總額	–	–	–	(563,975)	(563,975)
Equity-settled share based compensation expense (Note 31)	以股權結算之股份補償開支 (附註31)	–	–	22	–	22
At 31 December 2017	於二零一七年十二月三十一日	3,237,077	296,966	37,409	(4,712,681)	(1,141,229)
At 1 January 2018	於二零一八年一月一日	3,237,077	296,966	37,409	(4,712,681)	(1,141,229)
Total comprehensive loss for the year	年度全面虧損總額	–	–	–	(253,288)	(253,288)
At 31 December 2018	於二零一八年十二月三十一日	3,237,077	296,966	37,409	(4,965,969)	(1,394,517)

Note: Contributed surplus of the Company represents the difference between the value of the net assets of the underlying subsidiaries acquired by the Company pursuant to the Group reorganisation on 29 April 2006 and the nominal value of the Company's shares issued in exchange therefor.

附註：本公司的實繳盈餘指本公司根據本集團於二零零六年四月二十九日進行的重組而收購的相關附屬公司之淨資產價值與本公司為交換該等資產而發行的股份面值之間的差額。

鎳資源國際控股有限公司
NICKEL RESOURCES INTERNATIONAL
HOLDINGS COMPANY LIMITED