BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司

Reports and Financial Statements
For the year ended 31 December 2017

BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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DIRECTORS' REPORT

The directors of Baosteel Hong Kong Investment Company Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 6.

SHARE CAPITAL

Details of the Company's share capital are set out in note 15 to the financial statements. There was no movement in the Company's share capital during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Hu Aimin
Zhang Yi
Shen Yan

In accordance with Articles 105 and 106 of the Company's Articles of Association, all directors of the Company retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts of significance, to which the Company's holding company, fellow subsidiaries or subsidiaries was a party and in which a director or a connected entity of 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year was the Company, its ultimate parent or any subsidiaries of its ultimate parent a party to any arrangements to enable the directors or a connected entity of a director of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the articles of association of the Company, every director of the Company shall be entitled to be indemnified out of the assets of the Company against any liability incurred by him in relation to the Company or a related company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 358 of the Hong Kong Companies Ordinance in which relief is granted to him by the court.

BUSINESS REVIEW

In accordance with Section 388(3) of the Hong Kong Companies Ordinance, the Company falls within the reporting exemption for the financial year and is therefore exempt from preparing business review in the directors' report by Schedule 5 of the Hong Kong Companies Ordinance.

AUDITOR

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

On behalf of the Board

胡愛民

Hu Aimin
CHAIRMAN

31 July 2018

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Baosteel Hong Kong Investment Company Limited (the "Company") set out on pages 6 to 29, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other Information

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

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

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

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED - continued
寶鋼香港投資有限公司
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

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

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

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

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 July 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	2017 US$	2016 US$
Investment income	6	8,879,036	5,210,792
Other gain and loss	7	20,601,265	206,682
Administrative expenses		(364,513)	(74,629)
Finance costs	8	(6,835,669)	(6,789,623)
Profit (loss) before taxation	9	22,280,119	(1,446,778)
Taxation	10	-	-
Profit (loss) for the year		22,280,119	(1,446,778)
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Fair value gain (loss) on available-for-sale investments		43,043,710	(27,120,062)
Reclassification adjustments for the cumulative gain to profit or loss upon disposal of available-for-sale investments		(21,008,737)	-
Total comprehensive income (expense) for the year		44,315,092	(28,566,840)

BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	NOTES	2017 US$	2016 US$
Non-current assets			
Available-for-sale investments	11	191,604,813	255,657,768
Current assets			
Interest receivables	12	1,150,081	-
Amount due from ultimate parent	12	-	222,095,583
Short-term bank deposit	12	70,351,382	-
Bank balances	12	273,052,393	7,254,423
		344,553,856	229,350,006
Current liabilities			
Other payables	13	17,663	17,529
Exchangeable bond	14	493,660,827	-
		493,678,490	17,529
Net current (liabilities) assets		(149,124,634)	229,332,477
Total assets less current liabilities		42,480,179	484,990,245
Non-current liability			
Exchangeable bond	14	-	486,825,158
Net assets (liabilities)		42,480,179	(1,834,913)
Capital and reserves			
Share capital	15	516,129	516,129
Reserves		41,964,050	(2,351,042)
		42,480,179	(1,834,913)

The financial statements on pages 6 to 29 were approved and authorised for issue by the Board of Directors on 31 July 2018 and are signed on its behalf by:

Hu Aimin
DIRECTOR

Zhang Yi
DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital US$	Investment revaluation reserve US$	Exchangeable bond equity reserve US$	(Accumulated losses) retained profits US$	Total US$
At 1 January 2016	516,129	11,062,060	15,706,051	(552,313)	26,731,927
Loss for the year	-	-	-	(1,446,778)	(1,446,778)
Fair value loss on available-for-sale investments	-	(27,120,062)	-	-	(27,120,062)
At 31 December 2016	516,129	(16,058,002)	15,706,051	(1,999,091)	(1,834,913)
Profit for the year	-	-	-	22,280,119	22,280,119
Fair value gain on available-for-sale investments	-	43,043,710	-	-	43,043,710
Reclassification adjustments for the cumulative gain to profit or loss upon disposal of available-for-sale investments		(21,008,737)	-	-	(21,008,737)
At 31 December 2017	516,129	5,976,971	15,706,051	20,281,028	42,480,179

BAOSTEEL HONG KONG INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
OPERATING ACTIVITIES		
Profit (loss) before taxation	22,280,119	(1,446,778)
Adjustments for:		
Finance costs	6,835,669	6,789,623
Dividend income from available-for-sale investments	(5,362,544)	(2,894,572)
Interest income	(3,516,492)	(2,316,220)
Gain on disposal of available-for-sale investments	(21,008,737)	-
Operating cash flows before movements in working capital	(771,985)	132,053
Decrease in other receivables	-	157,413
Increase in other payables	134	(4,760,424)
NET CASH USED IN OPERATING ACTIVITIES	(771,851)	(4,470,958)
INVESTING ACTIVITIES		
Dividend received	5,362,544	2,894,572
Interest received	2,366,411	2,316,220
Purchase of available-for-sale investments	(10,892,300)	(151,241,708)
Proceeds on disposal of available-for-sale investments	117,988,965	-
Repayment from (advance to) ultimate parent	222,095,583	(222,095,583)
Placement of short term bank deposit with original maturity over three months	(70,351,382)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	266,569,821	(368,126,499)
FINANCING ACTIVITIES		
Repayment to a fellow subsidiary	-	(50,631,312)
Interest paid	-	(48,608)
CASH USED IN FINANCING ACTIVITIES	-	(50,679,920)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	265,797,970	(423,277,377)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	7,254,423	430,531,800
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances	273,052,393	7,254,423

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. It was a wholly-owned subsidiary and its ultimate and immediate parent is China Baowu Steel Group Corporation Limited (formerly known as Baosteel Group Corporation ("Baosteel Group")), which was established in the People's Republic of China. The address of the registered office and the principal place of business of the Company is 29/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding.

The financial statements are presented in United States dollars ("US$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statement have been prepared on a going concern basis because the Company's ultimate parent undertakes that it shall cause the Company to have sufficient liquidity to ensure timely payment by the Company of any and all amounts payable in respect of the exchangeable bond as and when such amount fall due.

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

Amendments to HKFRSs that are mandatorily effective for current year

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

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

The application of these amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consolidation[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKFRS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[2]

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

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

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Company are described below:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

Based on the Company's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Debt instruments classified as loans and receivables carried at amortised cost as disclosed in note 12: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9;

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

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 9 "Financial Instruments" - continued

Classification and measurement: - continued

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 11: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investment revaluation reserve amounting to US$5,976,971 as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Company's profit or loss and other comprehensive income but will not affect total comprehensive income.

- Unlisted investment in a partnership classified as available-for-sale investments carried at cost less impairment as disclosed in note 11: this investment qualified for designation as measured at FVTOCI under HKFRS 9 and the Company will measure this investment at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve. Upon initial application of HKFRS 9, the differences between the carrying amount at cost less impairment and the fair value (net of deferred tax impact) relating to this investment would be adjusted to investment revaluation reserve as at 1 January 2018.

Impairment:

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

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Company, the accumulated amount of impairment loss to be recognised by Company as at 1 January 2018 may be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on interest receivables and deposits with financial institutions. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

The directors of the Company anticipate that the application of other new and revised HKFRSs and interpretations will have no material impact on the results and financial position of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and comply with the applicable requirements of the Hong Kong Companies Ordinance.

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

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

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

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

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

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

The principal accounting policies are set out below:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments

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

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

Financial assets

The Company's financial assets are loans and receivables and available-for-sale investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including interest receivables, amount due from ultimate parent, short-term bank deposit and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Company that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets of the Company.

When an available-for-sale financial asset is consider to be impaired, cumulative losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Effective interest method

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

Financial liabilities at amortised cost

Financial liabilities including other payables and exchangeable bond are subsequently measured at amortised cost, using the effective interest method.

Exchangeable bond

Exchangeable bond contain liability and equity components

The component parts of the exchangeable bond issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other reserve. Where the conversion option remains unexercised at the maturity date of the bond, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the exchangeable bond are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the exchangeable bond using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

5. CRITICAL ACCOUNTING JUDGEMENT

In the application of the Company's accounting policies, which are described in note 4, the directors of the Company are required to make judgement about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The following is the critical judgement that the directors of the Company have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Classification of the Company's equity investment in a private company

On 16 February 2017, the Company, 华宝投资有限公司 ("Huabao", being a fellow subsidiary of the Company) and an independent third party entered into an agreement (the "Shareholders' Agreement") in relation to the formation of a company (the "Investee") to be established in the People's Republic of China (the "PRC") to engage in finance lease business and related financial activities in the PRC. Pursuant to the Shareholders' Agreement, the Company made a capital contribution of RMB75,000,000 (equivalent to approximately US$10,892,300) in return for 25.0% equity interest in the Investee, while Huabao has 69.8% equity interest in the Investee. Pursuant to the Shareholders' Agreement, all significant decisions about the relevant activities, including but not limited to business, financial and operational matters of the Investee will be made by the board of directors of the Investee and the Company was entitled to appoint or remove one director out of the three directors at the board of directors of the Investee.

5. CRITICAL ACCOUNTING JUDGEMENT - continued

Classification of the Company's investment in a private company - continued

In making the judgement in relation to whether the Company has significant influence over the Investee, the directors of the Company considered the Company's ultimate parent has authorised Huabao to exercise the voting right at the board of directors of the Investee on behalf of the Company. Taken into account that the Company has irrecoverably surrendered the voting right at the board of directors of the Investee, the directors of the Company are of the opinion that the Company does not have significant influence over the Investee and the Company's investment in equity interest in the Investee is accounted for as an available-for-sale investment as disclosed in note 11.

6. INVESTMENT INCOME

	2017 US$	2016 US$
Bank interest income	3,265,048	2,220,637
Interest income on amount due from ultimate parent (Note 16)	251,444	95,583
Dividend income from available-for-sale investments	5,362,544	2,894,572
	8,879,036	5,210,792

7. OTHER GAIN AND LOSS

	2017 US$	2016 US$
Gain from disposal of available-for-sale investments	21,008,737	-
Net foreign exchange (loss) gain	(407,472)	206,682
	20,601,265	206,682

8. FINANCE COSTS

	2017 US$	2016 US$
Interests on:		
Amount due to a fellow subsidiary (Note 16)	-	48,608
Effective interest expense on exchangeable bond (Note 14)	6,835,669	6,741,015
	6,835,669	6,789,623

9. PROFIT (LOSS) BEFORE TAXATION

	2017 US$	2016 US$
Profit (loss) before taxation has been arrived at after charging:		
Auditor's remuneration	13,449	13,280
Directors' remuneration (Note)	-	-

Note: Disclosure pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G). The directors of the Company are not paid directly by the Company but receive remuneration from the Company's fellow subsidiaries or ultimate parent, in respect of their services to the group which includes the Company. No apportionment has been made as the qualifying services provided by the directors to the Company is incidental to their responsibilities to the group.

10. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in prior year as the Company has no assessable profit.

The taxation can be reconciled to the profit (loss) before taxation per the statement of profit or loss and other comprehensive income as follows:

	2017 US$	2016 US$
Profit (loss) before taxation	22,280,119	(1,446,778)
Tax at Hong Kong Profits Tax rate of 16.5%	3,676,220	(238,718)
Tax effect of income not taxable for tax purpose	(4,889,994)	(909,654)
Tax effect of expenses not deductible for tax purpose	1,227,530	1,148,372
Tax effect of utilisation of tax losses previously not recognised	(13,756)	-
	-	-

At 31 December 2017, the Company has estimated unused tax losses of approximately US$1,760,000 (2016: US$1,843,000) available for offset against future profits. No deferred tax asset was recognised in respect of such unused tax losses due to the unpredictability of future profit streams of the Company. All tax losses may be carried forward indefinitely.

11. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017 US$	2016 US$
Listed investments, at fair value (Note a)		
- Equity securities listed in Hong Kong	120,520,513	195,351,768
- Equity securities listed in the United States of America (the "USA")	60,192,000	60,306,000
	180,712,513	255,657,768
Unlisted investment in a private company, at cost (Note b)	10,892,300	-
	191,604,813	255,657,768

Notes:

(a) Fair values of the listed investments were determined by reference to quoted market bid prices quoted in active markets.

(b) Such unlisted investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

12. CURRENT FINANCIAL ASSETS

As at 31 December 2017, included in interest receivables is an amount of US$269,899 which is denominated in HK$, currency other than the functional currency of the Company.

At 31 December 2016, amount due from ultimate parent of US$222,095,583 was unsecured, interest bearing at a fixed rate of 0.5% per annum and with a maturity date no more than six months from drawdown date.

Bank balances bear interest ranged from 0.01% to 2.10% (2016: 0.01% to 0.04%) per annum. Short term bank deposit represents bank deposit with fixed interest rate at 1.25% per annum and an original maturity between three months and twelve months. Included in the short term bank deposit and bank balances, US$120,293,506 (2016: US$202,620) are denominated in HK$ and US$228,390 (2016: US$257,100) denominated in RMB respectively, currencies other than the functional currency of the Company.

13. OTHER PAYABLES

As at 31 December 2017, included in other payables is an amount of US$13,635 (2016: US$13,280) which is denominated in HK$, currency other than the functional currency of the Company.

14. EXCHANGEABLE BOND

The Company issued US$500,000,000 zero coupon exchangeable bond on 1 December 2015, which are denominated in US$. The Company and Baosteel Group, its ultimate parent, has entered into a keepwell and liquidity support deed as part of the conditions to facilitate the issuance of the exchangeable bond by the Company. The holders of the exchangeable bond will be entitled to receive 1,021.0935 ordinary H-shares of China Construction Bank Corporation ("CCB") for each US$1,000 principal amount of exchangeable bonds if the exchange right is exercised. The exercise period commences from 11 January 2016 to 21 November 2018. If the exchangeable bond have not been converted, they will be redeemed on 1 December 2018 at par.

The H-shares of CCB is held by its ultimate parent in physical paper form. Before the commencement of the exchange period, the physical shares of CCB shall be deposited into the Central Clearing and Settlement System ("CCASS") to be transferred into electronic form. The delivery of the H-shares of CCB upon the exercise of the exchange rights will be made through CCASS without recharging to the Company. The difference between fair value of the H-shares of CCB at the exercise date over the exercise price will be treated as shareholders' contributions. At initial date, the exchangeable bonds contain two components, liability component and equity components. On 1 December 2015, the fair value of the liability component was US$484,143,000, which has been determined by the discounted cashflow approach using the prevailing market interest rate of similar non-convertible bonds and taking into account the credit risk of the Company. The fair value of the exchangeable right of US$15,857,000 is classified as equity component, which is calculated using the Binomial Model. Transaction costs of US$4,608,744 and US$150,949 are allocated to the liability and equity component respectively. The effective interest rate of the liability component is 1.40%.

The inputs into the Binomial Model were as follows:

	1 December 2015
Stock price	US$0.694
Exercise price (Note a)	-
Discount rate	1.08%
Risk-free rate (Note b)	1.31%
Expected validity (Note c)	23.74%

Notes:

(a) The bondholder is entitled to receive 1,021.0935 ordinary H-shares of CCB for each USD1,000 principal amount of Bonds upon the exercise of exchange rights.

(b) The rate was determined with reference to the yields of the US 3-year Treasury Note.

(c) Based on validity of CCB's share price over the same time period as the remaining life of exchangeable bond.

14. EXCHANGEABLE BOND - continued

The movement of the liability component of the exchangeable bond during the current and prior years is set out as below:

	Liability component US$
At 1 January 2016	480,084,143
Interest charge (Note 8)	6,741,015
At 31 December 2016	486,825,158
Interest charge (Note 8)	6,835,669
At 31 December 2017	493,660,827

15. SHARE CAPITAL

	Number of shares	Share capital US$
Authorised, issued and fully paid		
At 1 January 2016, 31 December 2016 and 31 December 2017	4,000,000	516,219

There is no movement in the Company's share capital during both years.

16. RELATED PARTIES TRANSACTIONS

Transactions

Other than the related party transaction as set out in note 14, during the year, the Company entered into the following transactions with related parties:

	Ultimate parent		Fellow subsidiaries	
	2017 US$	2016 US$	2017 US$	2016 US$
Interest income	251,444	95,583	-	-
Interest expense	-	-	-	48,608
Management fee	-	-	30,809	30,924

Balance

Details of amounts due from ultimate parent as shown on page 7 are set out in note 12 to the financial statements.

17. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure in the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of debt and equity attributable to equity holders of the Company, comprising share capital and reserves. The management of the Company reviews the capital structure on a regular basis taking into account the cost of capital and the risk associated with the capital. The Company will balance its overall capital structure through advances from or repayments to its group companies as well as the redemption of existing debt.

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 US$	2016 US$
Financial assets		
Available-for-sale investments	191,604,813	255,657,768
Other receivables (including cash and cash equivalents)	344,553,856	229,350,006
Financial liabilities		
Amortised cost	493,678,490	486,842,687

Financial risk management objectives and policies

The Company's major financial instruments include other receivables, short term bank deposits, bank balances, amount due from ultimate parent, other payables and exchangeable bond. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Company is exposed to fair value interest rate risk mainly in relation to fixed-rate bank deposits and amount due from ultimate parent.

The Company is also exposed to cash flow interest rate risk through the impact of rate changes on deposits with banks. The Company does not have interest rate hedging policy. However, management considers the interest rate risk exposure is limited and will consider hedging significant interest rate exposure should the need arises. The directors of the Company consider that the Company's sensitivity to interest rates is insignificant.

18. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Foreign currency risk

The Company has monetary assets and liabilities denominated in RMB and HK$ which expose the Company to foreign currency risk. The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
	US$	US$	US$	US$
RMB	-	-	228,390	257,100
HK$	13,635	13,280	120,563,405	202,620

The Company did not enter into any derivative contracts to hedge its foreign currency exposure and would consider hedging significant foreign currency exposure should the need arise.

The Company is mainly exposed to RMB. As US$ is pegged with HK$, the directors of the Company consider the currency risk of HK$ is insignificant to the Company.

Sensitivity analysis

The Company is mainly exposed to RMB against US$. The sensitivity analysis sets out the Company's sensitivity to a 5% increase and decrease in US$ against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonable possible change in foreign exchange rate. The sensitivity analysis includes only outstanding monetary items denominated in RMB and adjusts the translation at year end for a 5% change in foreign currency rate. An increase in post-tax profit for the year of approximately US$9,535 (2016: decrease in post-tax loss for the year of approximately US$10,734) will be resulted where US$ weaken 5% against RMB.

Credit risk

The Company's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. The Company's credit risk was mainly attributable to amount due from immediate parent. In order to minimise the credit risk, the management of the Company reviews the recoverable amount of the balance at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

The credit risk on liquid funds and interest receivables is limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on amount due from immediate parent, the Company has no significant concentration of credit risk.

18. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

As at 31 December 2017, the Company has net current liabilities of US$149,124,634, which has exposed the Company to significant liquidity risk. As set out in note 2, the Company's ultimate parent undertakes that it shall cause the Company to have sufficient liquidity to ensure timely payment by the Company of any and all amounts payable in respect of the exchangeable bond as and when such amount fall due.

In the management of the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate at the end of the reporting period.

	Weighted average effective interest rate	Less than or equal to 3 months	4 months to 1 year	2 - 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2017
		US$	US$	US$	US$	US$
2017						
Other payables	-	17,663	-	-	17,663	17,663
Exchangeable bonds	1.40%	-	500,000,000	-	500,000,000	493,660,827
Total		17,663	500,000,000	-	500,017,663	493,678,490

	Weighted average effective interest rate	Less than or equal to 3 months	4 months to 1 year	2 - 5 years	Total undiscounted cash flow	Carrying amount at 31.12.2016
		US$	US$	US$	US$	US$
2016						
Other payables	-	17,529	-	-	17,529	17,529
Exchangeable bonds	1.40%	-	-	500,000,000	500,000,000	486,825,158
Total		17,529	-	500,000,000	500,017,529	486,842,687

18. FINANCIAL INSTRUMENTS - continued

Fair value measurements of financial instruments

This note provides information about how the Company determines fair values of various financial assets.

Fair value of the Company's financial assets that are measured at fair value on a recurring basis

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2017	31.12.2016		
Listed available-for-sale investments in Hong Kong	HK$120,520,513	HK$195,351,768	Level 1	Quoted bid prices in an active market
Listed available-for-sale investments in the USA	HK$60,192,000	HK$60,306,000	Level 1	Quoted bid prices in an active market

There was no transfer between Level 1 and 2 during both years.

Fair value of the Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

BAOSTEEL HONG KONG
INVESTMENT COMPANY LIMITED
寶鋼香港投資有限公司

FOR MANAGEMENT INFORMATION
PURPOSES ONLY

DETAILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 US$	2016 US$
INVESTMENT INCOME	8,879,036	5,210,792
OTHER GAIN AND LOSS	20,601,265	206,682
ADMINISTRATIVE EXPENSES (SCHEDULE 1)	(364,513)	(74,629)
FINANCE COSTS	(6,835,669)	(6,789,623)
PROFIT (LOSS) BEFORE TAXATION	22,280,119	(1,446,778)
TAXATION	-	-
PROFIT (LOSS) FOR THE YEAR	22,280,119	(1,446,778)

SCHEDULE 1

	2017 US$	2016 US$
ADMINISTRATIVE EXPENSES		
Auditor's remuneration	13,449	13,280
Bank charges	103,694	25,945
Management fee	30,809	30,924
Legal and professional fee	210,088	-
Sundry expenses	6,473	4,480
	364,513	74,629