SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 103)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS	**For the year ended 31 December**		
	2014	2013	**%**
	HK$'000	*HK$'000*	**Change**
Operations			
Revenue	**1,787,444**	1,857,665	**-3.8**
Gross profit	**133,785**	214,413	**-37.6**
(L)EBITDA *(Note 1)*	**(52,241)**	221,230	**N/A**
Adjusted EBITDA *(Note 2)*	**116,923**	198,203	**-41.0**
Loss for the year	**(275,774)**	(16,590)	**+1562.3**
Loss per Share (basic) *(HK cents)*	**(14.34)**	(0.86)	**+1567.4**

Notes:

1. (L)EBITDA represents (loss) earnings before finance costs, income tax, depreciation and amortisation.

2. Adjusted EBITDA represents EBITDA before (i) allowance for inventories recognised of HK$5,275,000 (2013: HK$1,462,000); (ii) allowance for bad and doubtful debts recognised of HK$16,830,000 (2013: reversed of HK$12,763,000); (iii) impairment loss recognised in respect of property, plant and equipment of HK$147,000,000 (2013: Nil); (iv) increase in fair value of investment properties of HK$1,699,000 (2013: HK$4,465,000); and (v) foreign exchange losses of HK$1,758,000 (2013: gains of HK$7,261,000).

	At 31 December		
	2014	2013	**%**
	HK$'000	*HK$'000*	**Change**
Financial position			
Total assets	**3,610,120**	4,123,008	**-12.4**
Shareholders' equity	**1,861,882**	2,125,254	**-12.4**
Net asset value per Share *(HK$)*	**0.968**	1.105	**-12.4**

The Board announces that the audited consolidated results of the Group for the year ended 31 December 2014 and that final results were reviewed by the Audit Committee of the Company and agreed with the auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	4	**1,787,444**	1,857,665
Cost of sales		**(1,653,659)**	(1,643,252)
Gross profit		**133,785**	214,413
Investment and other income	6	**3,549**	7,945
Other gains and losses	7	**(163,561)**	24,877
Distribution and selling expenses		**(51,067)**	(48,424)
Administrative expenses		**(73,592)**	(74,711)
Research and development expenses		**(58,374)**	(53,412)
Finance costs	8	**(65,379)**	(76,175)
Loss before tax		**(274,639)**	(5,487)
Income tax expense	9	**(1,135)**	(11,103)
Loss for the year	10	**(275,774)**	(16,590)
Loss per share	12		
Basic and diluted		**(HK14.34 cents)**	(HK0.86 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(275,774)**	(16,590)
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss		
Exchange differences arising on translation of group entities	**(7,208)**	64,937
Surplus on revaluation of properties	**18,762**	19,403
Effect on deferred tax liability upon change in tax rate of a subsidiary	**4,065**	–
Recognition of deferred tax liability on revaluation of properties	**(3,217)**	(7,046)
Other comprehensive income for the year (net of tax)	**12,402**	77,294
Total comprehensive (expense) income for the year	**(263,372)**	60,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	13	**48,547**	46,907
Property, plant and equipment	13	**1,659,243**	1,928,784
Prepaid lease payments		**178,000**	187,325
Goodwill		**41,672**	41,672
Club memberships		**761**	762
Deposit paid for the acquisition of property, plant and equipment		**345**	651
Deferred tax assets	17	**1,282**	1,151
		1,929,850	2,207,252
Current assets			
Inventories		**337,432**	324,316
Trade receivables	14	**566,976**	662,815
Bills receivable	14	**558,370**	644,472
Prepayments, deposits and other receivables		**140,005**	151,415
Prepaid lease payments		**8,698**	8,728
Bank balances and cash		**68,789**	124,010
		1,680,270	1,915,756
Current liabilities			
Trade payables	15	**288,550**	345,450
Other payables and accruals	15	**118,926**	172,012
Tax payable		**15,788**	28,197
Bank borrowings – due within one year	16	**1,293,837**	1,099,542
		1,717,101	1,645,201
Net current (liabilities) assets		**(36,831)**	270,555
Total assets less current liabilities		**1,893,019**	2,477,807

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings – due after one year	*16*	**–**	322,430
Other payable		**1,122**	1,250
Deferred tax liabilities	*17*	**30,015**	28,873
		31,137	352,553
		1,861,882	2,125,254
Capital and reserves			
Share capital	*18*	**1,191,798**	192,290
Reserves		**670,084**	1,932,964
		1,861,882	2,125,254

Notes:

1. **GENERAL**

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange. The Company's substantial shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the PRC.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing of steel cords and processing and trading of copper and brass products.

The functional currency of the Company is RMB, the currency of the primary economic environment in which the principal subsidiaries of the Company operate. For the convenience of financial statements users, the financial statements are presented in HKD.

2. **BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS**

As of 31 December 2014, the Group had net current liabilities of approximately HK$36,831,000. Up to the date these consolidated financial statements were authorised for issuance, the relevant banks agreed to renew the banking facilities amounting to HK$1,005,318,000 upon the maturity in the coming 12 months. In addition, the Group has undrawn banking facilities of approximately HK$220,258,000 which will not be expired in the coming 12 months. Therefore, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

Application of amendments to HKFRSs and a new interpretation

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 1	Disclosure Initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 July 2014

5 Effective for annual periods beginning on or after 1 January 2016

6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented 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 Group's financial assets and financial liabilities as at 31 December 2014, the Directors anticipate that the adoption of HKFRS 9 may not have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

HKFRS 15 ***Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

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

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

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

4. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns, trade discounts and sales related taxes, and gross rental income during the year.

An analysis of the Group's revenue for the year is as follows:

	2014	2013
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cords	**1,417,930**	1,473,662
Processing and trading of copper and brass products	**367,835**	382,591
	1,785,765	1,856,253
Rental income	**1,679**	1,412
	1,787,444	1,857,665

5. **SEGMENT INFORMATION**

Information reported to the Company's managing director, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

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

i) The steel cord segment comprising the manufacturing of steel cords; and

ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

Segment revenues and results

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

For the year ended 31 December 2014

	Steel cord *HK$'000*	**Copper and brass products** *HK$'000*	**Segment total** *HK$'000*
Segment revenue			
External sales	**1,417,930**	**367,835**	**1,785,765**
Inter-segment sales *(Note)*	**–**	**23,853**	**23,853**
Total	**1,417,930**	**391,688**	**1,809,618**
Segment results	**(185,445)**	**49**	**(185,396)**

Note: Inter-segment sales are made based on prevailing market price.

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	**1,809,618**
Rental income	**1,679**
Elimination of inter-segment sales	**(23,853)**
Group revenue	**1,787,444**

Reconciliation of loss before tax

	HK$'000
Total loss for operating segments	**(185,396)**
Profit arising from property investment	**2,982**
Unallocated amounts	
Unallocated income	**1,869**
Unallocated foreign exchange losses, net	**(1,441)**
Unallocated expenses	**(27,274)**
Unallocated finance costs	**(65,379)**
Loss before tax	**(274,639)**

For the year ended 31 December 2013

	Steel cord *HK$'000*	Copper and brass products *HK$'000*	Segment total *HK$'000*
Segment revenue			
External sales	1,473,662	382,591	1,856,253
Inter-segment sales *(Note)*	–	25,773	25,773
Total	1,473,662	408,364	1,882,026
Segment results	78,994	(2,558)	76,436

Note: Inter-segment sales are made based on prevailing market price.

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,882,026
Rental income	1,412
Elimination of inter-segment sales	(25,773)
Group revenue	1,857,665

Reconciliation of loss before tax

	HK$'000
Total profit for operating segments	76,436
Profit arising from property investment	5,342
Unallocated amounts	
Unallocated income	1,208
Unallocated foreign exchange gains, net	14,813
Unallocated expenses	(27,111)
Unallocated finance costs	(76,175)
Loss before tax	(5,487)

Segment results represents the profit or loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs, the emoluments of Directors, interest income on bank deposits, finance costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. INVESTMENT AND OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**1,807**	1,196
Other income		
Government grants *(Note)*	**1,418**	5,380
Sales of scrap materials	**324**	1,369
	1,742	6,749
	3,549	7,945

Note: The government grants represented immediate financial supports granted by the local government. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

7. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Foreign exchange (losses) gains, net	**(1,758)**	7,261
Increase in fair value of investment properties	**1,699**	4,465
Impairment loss recognised in respect of property, plant and equipment	**(147,000)**	–
Allowance for bad and doubtful debts (recognised) reversed, net	**(16,830)**	12,763
Gain (loss) on disposal of property, plant and equipment, net	**17**	(244)
Others	**311**	632
	(163,561)	24,877

8. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**61,131**	63,857
Interest expenses on loan from a related company wholly repayable within five years	**–**	6,971
Amortisation of transaction costs	**4,483**	5,692
Total borrowing costs	**65,614**	76,520
Less: amounts capitalised	**(235)**	(345)
	65,379	76,175

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 3.93% (2013: 4.24%) per annum to expenditure on qualifying assets.

9. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**387**	5,947
(Over)under provision in prior years:		
PRC EIT	**(1,139)**	96
Deferred taxation	**1,887**	5,060
	1,135	11,103

No provision for Hong Kong Profits Tax for the years ended 31 December 2014 and 2013 as there is no assessable profit subject to Hong Kong Profits Tax for the year.

Under the Law of the PRC on EIT (the "EIT Law"), the Company's major subsidiaries in the PRC are now subject to a tax rate of 25%.

JESC, a subsidiary of the Company, has been recognised as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. JESC is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority in the PRC. As such the EIT rate for JESC is 25% for the year ended 31 December 2013 and a reduced tax rate of 15% for the year ended 31 December 2014.

According to the EIT Law and Implementation Regulation of the EIT Law, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise. Deferred tax has been provided in the consolidated statement of profit or loss in respect of the temporary differences attributable to such incomes based on the applicable tax rates.

10. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Cost of inventories recognised as an expense (including allowance for inventories recognised of approximately HK$5,275,000 (2013: HK$1,462,000))	**1,633,446**	1,621,255
Depreciation of property, plant and equipment	**148,356**	141,951
Auditor's remuneration	**1,321**	1,276
Amortisation of prepaid lease payments (included in "Cost of sales")	**8,663**	8,591

11. DIVIDENDS

No interim or final dividend was paid or proposed for the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

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

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of calculation of basic and diluted loss per share	**(275,774)**	(16,590)

	2014	2013
Number of shares		
Number of ordinary shares for the purposes of calculation of basic and diluted loss per share	**1,922,900,556**	1,922,900,556

For the years ended 31 December 2014 and 2013, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the year ended 31 December 2014, the Group incurred approximately HK$13,088,000 (2013: HK$24,178,000) on the enhancement of production facilities of Steel cord segment. In addition, the Group also acquired approximately HK$83,000 (2013: HK$887,000) of other property, plant and equipment in the current year.

During the year ended 31 December 2014, the Group disposed of certain machineries with an aggregate carrying amount of HK$129,000 (2013: HK$666,000) for cash proceeds of HK$146,000 (2013: HK$422,000), resulting in a gain on disposal of HK$17,000 (2013: loss on disposal of HK$244,000).

The fair values of the Group's investment properties as at 31 December 2014 and 2013 have been arrived at on the basis of valuations carried out on that date by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity and there has been no change from the valuation technique used in the prior year. The resulting increase in fair value of investment properties of approximately HK$1,699,000 (2013: HK$4,465,000) has been credited to profit or loss for the year.

As at 31 December 2014 and 2013, the leasehold land and buildings of the Group were also valued by Grant Sherman. The fair value of the leasehold land and buildings was determined based on either: (i) an open market value basis by reference to recent market transactions for comparable properties or (ii) on basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales method. The resulting increase in fair value of leasehold land and buildings has been credited to property revaluation reserve of approximately HK$18,762,000 (2013: HK$19,403,000).

Impairment losses recognised during the current year:

During the year ended 31 December 2014, as the result of the unexpected unfavourable performance of TESC, the management conducted an impairment assessment of the property, plant and equipment of TESC individually. If it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of the cash-generating unit (the "CGU") to which the property, plant and equipment belong. The management considers that the recoverable amount of the individual property, plant and equipment cannot be determined if (i) the value in use of the asset cannot be estimated to be close to its fair value less costs to sell, and (ii) the asset does not generate cash inflows that are largely independent of those from other assets. TESC is considered as a CGU for the purpose of the impairment test. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

The recoverable amount of TESC as at 31 December 2014 was determined based on value in use calculation and based on certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a five-year period. The discount rate used for the value in use calculations is at 10.81%. Cash flow beyond the five-year period is extrapolated for nineteen years using a zero growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development.

During the year ended 31 December 2014, an impairment loss of HK$147,000,000 recognised in the profit or loss of which (i) HK$145,041,000 was allocated to plant and machinery; (ii) HK$697,000 was allocated to furniture, fixtures and equipment; (iii) HK$288,000 was allocated to motor vehicles; and (iv) HK$974,000 was allocated to construction in progress on a pro rata basis with reference to their respective carrying amounts before impairment. The impairment loss has been included in other gains and losses in profit or loss.

14. TRADE RECEIVABLES/BILLS RECEIVABLE

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**616,925**	710,189
Less: allowance for bad and doubtful debts	**(49,949)**	(47,374)
	566,976	662,815
Bills receivable	**558,370**	644,472
	1,125,346	1,307,287

The Group normally allows credit periods of 30 to 90 days to its trade customers.

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period presented based on sales invoice date, which approximated the respective revenue recognition dates, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 90 days	**379,379**	521,771
91 – 180 days	**158,199**	115,045
Over 180 days	**29,398**	25,999
	566,976	662,815

An aged analysis of bills receivable at the end of the reporting period presented based on sales invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 90 days	**11,346**	46,960
91 – 180 days	**195,981**	258,042
Over 180 days	**351,043**	339,470
	558,370	644,472

15. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of trade payables at the end of the reporting period presented based on purchase invoice date is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**55,034**	151,522
31 – 90 days	**89,798**	119,584
91 – 180 days	**128,977**	64,522
181 – 365 days	**10,276**	7,560
Over 1 year	**4,465**	2,262
	288,550	345,450

The average credit period on purchases of goods is 30 days.

Included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$70,269,000 (2013: HK$124,773,000).

16. BANK BORROWINGS

	2014	2013
	HK$'000	*HK$'000*
Trust receipt loans	**27,235**	26,040
Other bank loans	**1,252,894**	1,394,660
Discounted bills with recourse	**13,708**	1,272
	1,293,837	1,421,972
Secured	**22,926**	54,348
Unsecured	**1,270,911**	1,367,624
	1,293,837	1,421,972

17. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	2013
	HK$'000	*HK$'000*
Deferred tax assets	**(1,282)**	(1,151)
Deferred tax liabilities	**30,015**	28,873
	28,733	27,722

18. SHARE CAPITAL

	Number of shares	**Amount**
	'000	***HK$'000***
Authorised		
At 1 January 2013 and 2014		
– Ordinary shares of HK$0.10 each	5,000,000	500,000
At 31 December 2014 *(Note)*	N/A	N/A

Note: Under the new Hong Kong Companies Ordinance (Chapter 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	**Amount**
	'000	***HK$'000***
Issued and fully paid		
At 1 January 2013 and 2014		
– Ordinary shares of HK$0.10 each	1,922,901	192,290
Transfer from share premium and capital redemption reserve upon abolition of par value	–	999,508
At 31 December 2014		
– Ordinary shares with no par value	1,922,901	1,191,798

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business model and strategy

Our mission is to be one of the top tier steel cord and sawing wire manufacturers in the PRC capable of consistently purveying premium quality steel cords and sawing wire products; and the evolution into a diversified metal product manufacturer with development of a successful "Eastern" brand awareness and recognition in the PRC and worldwide markets. The ultimate goal is to maintain long term profitability, maximize return to our Shareholders under a prudent and manageable capital structure and contribute to the economic and social development of the communities in which we operate and deliver sustainable growth in stakeholders' value.

The Board is responsible for the development of business models and setting of strategies, planning and development of the Group, to drive for expansion and new business opportunities. The strategies adopted by the Board will be deployed to general manager of the Company to motivate the staff to achieve the designated business goals and financial targets under risk tolerance levels prescribed by the Board. The progress of implementation of the strategies and business goals will be reviewed and adjusted to respond to increasingly complicated external environment and further discussed follow up action regularly at the Board and/or other management meetings throughout the years.

Review of operations

During the year under review, the economy of the PRC continued to expand at a stable annual growth rate of 7.4%. However, the growth momentum of certain sectors, including industrial production, fixed assets investments and property development decelerated during the year. The growth in production volume of new motor vehicles also slowed down, that caused a slower increase in production of new radial tyres in the PRC during the year under review. In respect of other major developed countries, the economy of the USA exhibited a solid growth during the year, while those in Europe and Japan appeared to recover but remained unstable. The Steel cord segment hence recorded a slower growth in sales volume as compared to the previous year. The selling price of steel cords continued to decline as the overcapacity situation in the steel cord industry had not relieved during the year. Although the production costs of Steel cord segment decreased as compared to the previous year, it was not able to recoup the reduced sales revenue arising from lowered average selling price of steel cords. As such, the Steel cord segment recorded a decrease in Adjusted EBITDA for the year as compared to the previous year.

In respect of the Copper and brass products segment, there was lower demand for commodity products under a weakened industrial environment that also driven down the prices of commodities, including copper. Sales volume of this segment remained similar to the same level as the previous year; however, revenue decreased attributable to the declining copper price. Notwithstanding the decrease in sales revenue, through strengthened sales and inventory management, this segment achieved an increase in gross profit and returned to positive in EBITDA for the year.

In respect of the performance of the Group as a whole, attributable to the decrease in Adjusted EBITDA of Steel cord segment, the Group recorded a lower Adjusted EBITDA as compared to the previous year. Furthermore, due to the recognition of additional allowance for bad and doubtful debts of HK$16,830,000 and the impairment loss recognised in respect of property, plant and equipment of HK$147,000,000 during the year, the Group recorded a substantial increase in loss of 1562.3% over the previous year to HK$275,774,000 for the year.

Steel cord

Overall performance

The growth of the automobile industry in the PRC turned slow during the year under review. According to the information of China Association of Automobile Manufacturers, the production of new vehicles amounted to 23.72 million units in the year, represented an annual growth of 7.3% over the previous year, descended as compared to the corresponding annual growth of 14.8% in the previous year. During the year under review, the production volume of passenger cars increased by 10.2% over the previous year; while the production volume of commercial vehicles recorded a decrease of 5.7% as compared to the previous year. In addition, based on the information from the Tyre Branch of China Rubber Industry Association, the production of radial tyres amounted to approximately 511.0 million units in 2014, increased by 7.4% as compared to approximately 475.7 million units produced in the previous year, also descended as compared to the corresponding annual growth of 14.8% in the previous year.

Attributable to the slower growth in production of motor vehicles and radial tyres as mentioned above, this segment therefore recorded a smaller increase in sales volume during the year, the sales volume of steel cords increased by 4.4% over the previous year. Whilst sales volume increased, average selling price of steel cords dropped by 8.4% as compared to the previous year attributable to the overcapacity situation of the steel cord industry in the PRC. Despite our two steel cord manufacturing plants accomplished lower unit production cost of steel cords as a result of lowered raw material prices, the enhancement of production efficiency and higher production volume, it was not able to recoup the reduced sales revenue arising from the drop in average selling price. As a result, gross profit of this segment decreased by 40.4% as compared to the previous year to HK$123,028,000 (2013: HK$206,465,000) for the year.

Due to the significant decline in average selling price of steel cords, particularly in Shandong province, the gross profit margin of TESC was severely eroded. In addition, the capacity utilization rate of TESC's production facility was lower than expected which was attributable to the weaker growth in demand of steel cords during the year. These two factors caused the management of the Group to conduct an impairment assessment on the value of property, plant and equipment of TESC and an impairment loss of HK$147,000,000 was recognised in this respect during the year as a result.

Affected by the decrease in gross profit and the impairment loss recognised in respect of property, plant and equipment, this segment recorded LBITDA of HK$30,155,000 for the year, as compared to EBITDA of HK$227,004,000 for the previous year. Adjusted EBITDA was HK$139,665,000 for the year, decreased by 37.6% as compared to HK$223,849,000 for the previous year.

Attributable to the substantial decrease in gross profit and the impairment loss recognised in respect of property, plant and equipment as mentioned above, this segment recorded operating loss of HK$185,445,000 for the year, as opposed to operating profit of HK$78,994,000 for the previous year.

Revenue

This segment sold 118,554 tonnes of steel cords during the year, increased by 4.4% as compared to 113,590 tonnes for the previous year. In respect of its sawing wire business, we remained cautious on this business development as the solar energy industry was still very sluggish during the year. This segment sold an aggregate of 671 tonnes of half products and final products of sawing wires during the year, decreased by 30.8% as compared to 970 tonnes for the previous year. The analysis of sales volume of this segment is as follows:

	2014		2013		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
Steel cords for:					
– truck tyres	**86,235**	**72.8**	84,227	74.1	**+2.4**
– off the road truck tyres	**4,186**	**3.5**	4,284	3.8	**-2.3**
– passenger car tyres	**28,133**	**23.7**	25,079	22.1	**+12.2**
Total for steel cords	**118,554**	**100.0**	113,590	100.0	**+4.4**
Sawing wires:					
– half product	**255**		731		**-65.1**
– final product	**416**		239		**+74.1**
Total for sawing wires	**671**		970		**-30.8**
Other steel wires	**394**		621		**-36.6**
Total	**119,619**		115,181		**+3.9**

There was no significant change in sales mix of steel cords during the year, steel cords for truck tyres remained the largest part of sales of steel cords which accounted for 72.8% of sales volume of steel cords for the year, however decreasing by 1.3 percentage points as compared to 74.1% for the previous year.

In respect of overseas sales, the volume of export sales of steel cords amounted to 15,300 tonnes for the year, significantly increased by 24.4% as compared to 12,302 tonnes for the previous year, mainly as this segment expanded its coverage in the South America region during the year. The volume of export sales represented 12.9% of total sales volume of steel cords for the year, increased by 2.1 percentage points as compared to 10.8% for the previous year. The analysis of sales volume of steel cords by region is as follows:

	2014		2013		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
PRC	**103,254**	**87.1**	101,288	89.2	**+1.9**
Other countries (mainly Japan, South Korea, USA and Brazil)	**15,300**	**12.9**	12,302	10.8	**+24.4**
Total	**118,554**	**100.0**	113,590	100.0	**+4.4**

The average selling price of steel cords dropped by 8.4% as compared to the previous year, as the pricing pressure had not relieved during the year attributable to the overcapacity situation in the PRC.

In summary, the sales volume of steel cords increased by 4.4% over the previous year, however, the average selling price of steel cords recorded a corresponding decline of 8.4%, therefore the revenue of this segment decreased by 3.8% as compared to the previous year to HK$1,417,930,000 (2013: HK$1,473,662,000) for the year.

Gross profit

Gross profit of this segment declined by 40.4% as compared to the previous year to HK$123,028,000 (2013: HK$206,465,000) for the year, which was attributable to the following factors:

1. The decline in average selling price of steel cords of 8.4% caused revenue of this segment decreased by HK$55,732,000 as compared to the previous year; and

2. Cost of sales increased by 2.2% over the previous year to HK$1,294,902,000 (2013: HK$1,267,197,000) for the year as the sales volume of steel cords increased by 4.4%. Unit cost of production of steel cords dropped during the year which was contributed by lower raw material prices, the enhancement of production efficiency and higher production volume. However, the lowered cost of production was not able to recoup the significant reduction in sales revenue arising from the drop in average selling price.

Investment and other income

Investment and other income amounted to HK$1,742,000 for the year, decreased by 74.2% as compared to HK$6,749,000 for the previous year, mainly as the amount of government grants decreased by 73.6% as compared to the previous year to HK$1,418,000 (2013: HK$5,380,000) for the year.

Allowance for bad and doubtful debts (recognised) reversed, net

The measures to recover those long outstanding bad and doubtful debts continued to take place during the year; however, there was no major progress on the recovery despite every efforts had been made including but not limited to legal proceedings. Moreover, certain customers in Shandong province delayed their payments for receivables during the year. In view of such delayed settlements, additional allowance for bad and doubtful debts of HK$16,830,000 was made for the sake of prudence for the year; while there was net recovery of bad and doubtful debts of HK$12,763,000 in the previous year.

Distribution and selling expenses

Distribution and selling expenses increased by 6.7% over the previous year to HK$47,536,000 (2013: HK$44,551,000) for the year. The increase was mainly because of the increase in transportation costs and export related costs resulted from higher growth of 24.4% in export sales volume of steel cords during the year.

Administrative expenses

Administrative expenses amounted to HK$39,919,000 for the year, lowered by 3.2% as compared to HK$41,227,000 for the previous year.

Research and development expenses

Research and development expenses increased by 9.3% over the previous year to HK$58,374,000 (2013: HK$53,412,000) for the year, as we continued to implement our strategy to deploy more resources on new product development with a view to procure long term sustainable development of the steel cord business.

Copper and brass products

Overall performance

The economic growth in the PRC slowed down during the year, while the economy in other developed countries exhibited a slow recovery in business activities. Demand for commodities remained weak during the year, this segment hence continued to remain cautious on its business development. The sales volume of this segment was similar to the previous year. Nonetheless, through strengthened sales and inventory management, this segment recovered from loss to profit during the year. It recorded operating profit of HK$49,000 for the year, as opposed to operating loss of HK$2,558,000 for the previous year.

Revenue

This segment sold 7,823 tonnes of copper and brass products during the year, slightly increased by 0.8% as compared to 7,764 tonnes for the previous year. The sales volume in the PRC declined while those in Hong Kong and other countries increased as compared to the previous year, therefore the percentage of sales volume in the PRC to total sales volume lowered from 73.8% in the previous year to 70.7% for the year. The breakdown of sales volume by geographical location is as follows:

	2014		2013		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
PRC	**5,532**	**70.7**	5,732	73.8	**-3.5**
Hong Kong and other countries	**2,291**	**29.3**	2,032	26.2	**+12.7**
Total	**7,823**	**100.0**	7,764	100.0	**+0.8**

Copper price declined during the year and therefore average selling price of this segment dropped by 4.8% as compared to the previous year. Attributable to the lowered average selling price, this segment recorded a decline in revenue of 4.1% as compared to the previous year to HK$391,688,000 (2013: HK$408,364,000) for the year.

Gross profit

Despite revenue decreased by 4.1%, this segment achieved an increase in gross profit of 38.5% over the previous year to HK$9,194,000 (2013: HK$6,639,000) for the year, being the results of strengthened sales and inventory management. Gross profit margin was 2.3% for the year, increased by 0.7 percentage point as compared to 1.6% for the previous year.

FINANCIAL REVIEW

The Group recorded loss of HK$275,774,000 for the year, significantly increased by 1562.3% as compared to HK$16,590,000 for the previous year, which was mainly attributable to the significant decrease in gross profit of Steel cord segment; the impairment loss recognised in respect of property, plant and equipment of Steel cord segment; further allowance for bad and doubtful debts made against the trade receivables of Steel cord segment; and the significant reduction of the amount of other income and gains, including government grants and foreign exchange gains. LBITDA of the Group was HK$52,241,000 for the year, against EBITDA of HK$221,230,000 for the previous year; while Adjusted EBITDA decreased by 41.0% as compared to the previous year to HK$116,923,000 (2013: HK$198,203,000) for the year, as follows:

	2014	2013	
	HK$'000	*HK$'000*	**% change**
(L)EBITDA	**(52,241)**	221,230	**N/A**
Adjusted for:			
Allowance for bad and doubtful debts recognised (reversed), net	**16,830**	(12,763)	**N/A**
Foreign exchange losses (gains), net	**1,758**	(7,261)	**N/A**
Increase in fair value of investment properties	**(1,699)**	(4,465)	**-61.9**
Impairment loss recognised in respect of property, plant and equipment	**147,000**	–	**N/A**
Allowance for inventories recognised	**5,275**	1,462	**+260.8**
Adjusted EBITDA	**116,923**	198,203	**-41.0**

Revenue

Revenue of the Group amounted to HK$1,787,444,000 (2013: HK$1,857,665,000) for the year, declined by 3.8% as compared to the previous year. The revenue of both Steel cord and Copper and brass products segments decreased as compared to the previous year, the breakdown is as follows:

	2014		2013		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cord	**1,417,930**	**79.3**	1,473,662	79.3	**-3.8**
Copper and brass products	**391,688**	**21.9**	408,364	22.0	**-4.1**
Sub-total	**1,809,618**	**101.2**	1,882,026	101.3	
Elimination of sales by Copper and brass products segment to Steel cord segment	**(23,853)**	**(1.3)**	(25,773)	(1.4)	**-7.5**
Property rental	**1,679**	**0.1**	1,412	0.1	**+18.9**
Total	**1,787,444**	**100.0**	1,857,665	100.0	**-3.8**

Gross profit

Gross profit of the Group decreased by 37.6% as compared to the previous year to HK$133,785,000 (2013: HK$214,413,000) for the year. Attributable to the significant drop in gross profit margin of Steel cord segment, gross profit margin of the Group declined from 11.5% in the previous year to 7.5% for the year, lowered by 4.0 percentage points. The breakdown of gross profit by business segments is as follows:

	2014		2013		
	HK$'000	**Gross profit margin (%)**	*HK$'000*	Gross profit margin (%)	**% change**
Steel cord	**123,028**	**8.7**	206,465	14.0	**-40.4**
Copper and brass products	**9,194**	**2.3**	6,639	1.6	**+38.5**
Property rental	**1,563**	**93.1**	1,309	92.7	**+19.4**
Total	**133,785**	**7.5**	214,413	11.5	**-37.6**

Investment and other income

Investment and other income decreased by 55.3% as compared to the previous year to HK$3,549,000 (2013: HK$7,945,000) for the year, mainly as the amount of government grants decreased by 73.6% to HK$1,418,000 (2013: HK$5,380,000) for the year.

Other gains and losses

The Group recorded net loss of HK$163,561,000 on other gains and losses for the year, as compared to net gain of HK$24,877,000 for the previous year. The breakdown of other gains and losses is as follows:

	2014	2013	
	HK$'000	*HK$'000*	**% change**
Foreign exchange (losses) gains, net *(Note)*	**(1,758)**	7,261	**N/A**
Increase in fair value of investment properties	**1,699**	4,465	**-62.0**
Impairment loss recognised in respect of property, plant and equipment	**(147,000)**	–	**N/A**
Allowance for bad and doubtful debts (recognised) reversed, net	**(16,830)**	12,763	**N/A**
Others	**328**	388	**-15.5**
Total	**(163,561)**	24,877	**N/A**

Note: The Group recorded exchange loss of HK$1,758,000 for the year as compared to exchange gain of HK$7,261,000 for the previous year, as the exchange rate of RMB quoted by the People's Bank of China (the "official RMB exchange rate") recorded a decrease of approximately 0.3% against HKD over the year under review, whereas the official RMB exchange rate had a corresponding increase of 3.1% over the previous year. Attributable to the decrease in the official RMB exchange rate during the year, the Group recorded exchange loss on its HKD and USD denominated bank borrowings.

Distribution and selling expenses

Distribution and selling expenses amounted to HK$51,067,000 (2013: HK$48,424,000) for the year, representing an increase of 5.5% over the previous year. The increase in distribution and selling expenses when compared to the decrease in revenue of 3.8% was mainly because of the increase in transportation costs and export related costs resulted from higher growth of 24.4% in export sales volume of steel cords during the year.

Administrative expenses

Administrative expenses amounted to HK$73,592,000 (2013: HK$74,711,000) for the year, moderately decreased by 1.5% as compared to the previous year. However, as the revenue of the Group decreased by 3.8%, the ratio of administrative expenses to revenue therefore slightly increased from 4.0% in the previous year to 4.1% for the year.

Research and development expenses

Research and development expenses of the Group amounted to HK$58,374,000 for the year, increased by 9.3% as compared to HK$53,412,000 for the previous year. Such expenses were all incurred by Steel cord segment, as mentioned in '**Steel cord**' section above.

Segment results

Attributable to the significant decrease in gross profit of Steel cord segment, and the impairment loss recognised in respect of property, plant equipment, the Group reported loss of HK$185,396,000 from its business segments during the year, as opposed to profit of HK$76,436,000 for the previous year. The breakdown of the operating results of the Group's business segments for the year is as follows:

	2014	2013	
	HK$'000	*HK$'000*	**% change**
Steel cord	**(185,445)**	78,994	**N/A**
Copper and brass products	**49**	(2,558)	**N/A**
Total	**(185,396)**	76,436	**N/A**

Finance costs

Finance costs amounted to HK$65,379,000 for the year, decreased by 14.2% as compared to HK$76,175,000 for the previous year. Such decrease in interest expenses was mainly the results of the increase in proportion of bank borrowings in HKD and USD since the second half of the previous year, taking advantage of their lower borrowing rates as compared to borrowings in RMB.

Income tax expense

Income tax expense amounted to HK$1,135,000 for the year, decreased by 89.8% as compared to HK$11,103,000 for the previous year. The decrease in income tax expense was mainly because the taxable profit of JESC dropped significantly as compared to the previous year.

Other than JESC, which has been recognised as a state-encouraged high-new technology enterprise starting from 2014 and thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, there was no change in applicable tax rates of the Company and its subsidiaries during the year. For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.5% (2013: 16.5%) for the year. For subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law"), the major subsidiaries operating in the PRC are subject to a tax rate of 25% (2013: 25%) for the year.

In addition, according to the EIT Law and Implementation Regulation of the EIT Law and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Group is subject to withholding tax on dividends paid by subsidiaries in the PRC to holding companies in Hong Kong at a rate of 5% (2013: 5%).

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$616,925,000 at 31 December 2014, decreased by 13.1% as compared to HK$710,189,000 at 31 December 2013. The overall quality of trade receivables was in manageable condition; however, there were delayed settlements by certain customers in Shandong province and hence, for the sake of prudence, additional allowance for bad and doubtful debts of HK$16,830,000 was made during the year.

In respect of the balance of the allowance for bad and doubtful debts of HK$49,949,000 still remaining at 31 December 2014, they represented those made for receivables from sales of steel cord and sawing wire products (including half products and final products), we will continue to use our best endeavors to recover those receivables back, including the negotiation of payment by way of assets other than cash and/or instituting legal actions against those customers to claim our payment back.

In respect of the trade receivables at 31 December 2014, approximately 53.5% has been subsequently settled by cash or bills receivable up to 26 March 2015, details are as follows:

Age	Amount at 31 December 2014 *HK$'000*	% of subsequent settlement
0 – 90 days	379,379	51.2
91 – 180 days	158,199	60.4
Over 180 days	29,398	46.6
Total	566,976	53.5

TREASURY AND FUNDING POLICIES

The treasury and funding policies of the Group concentrate on the management of liquidity and the monitoring of financial risks, including interest rate risk, currency risk and counterparty risk. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a healthy financial position.

Surplus funds of the Group are generally placed on short term deposits denominated in HKD, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group usually comprises short to medium term loans from banks, the loan portfolio takes into consideration of the liquidity of the Group and interest costs.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders. Nonetheless, in light of the continual to our turnover, we moderately relaxed our gearing threshold since the previous year and yet, we believe such level remained healthy and manageable.

There was no change in the number of issued shares of the Company during the year, the number of issued shares remained at 1,922,900,556 Shares at 31 December 2014. Net asset value of the Group was HK$1,861,882,000 at 31 December 2014, decreased by 12.4% as compared to HK$2,125,254,000 at 31 December 2013, attributable to the loss and the decrease in RMB exchange rate against HKD during the year. Net asset value per Share was HK$0.968 at 31 December 2014, also decreased by 12.4% as compared to HK$1.105 at 31 December 2013.

Cash flows

Despite the Group recorded a decrease of 41.0% in Adjusted EBITDA as compared to the previous year, however, it recorded net cash inflow from operating activities of HK$208,858,000 for the year, much stronger as compared to HK$21,091,000 of the previous year. The analysis is as follows:

	HK$'000
Net cash from operating activities as per consolidated statement of cash flows	140,797
Add: Operating cash inflows not reflected in consolidated statement of cash flows (non-cash transactions):	
Bills receivable that discounted to banks and matured during the year	17,075
Bills receivable endorsed to creditors of the Group at 31 December 2013 to settle payable for acquisition of property, plant and equipment and matured during the year	50,986
Net cash inflow from operating activities for the year	208,858

In respect of cash flows on other activities, the Group incurred net cash outflow on investing activities of HK$23,632,000 during the year, mainly represented capital expenditures incurred by Steel cord segment for enhancement of its production facilities; and incurred net cash outflow on financing activities of HK$171,998,000 during the year, which comprised net repayment of bank borrowings of HK$110,867,000 and payment of bank loan interests of HK$61,131,000.

Bank balances and cash and bank borrowings

The Group's bank balances and cash amounted to HK$68,789,000 at 31 December 2014, decreased by 44.5% as compared to HK$124,010,000 at 31 December 2013. Total bank borrowings of the Group were HK$1,293,837,000 at 31 December 2014, decreased by 9.0% as compared to HK$1,421,972,000 at 31 December 2013.

At 31 December 2014, HK$1,124,712,000 of bank borrowings were floating-rate borrowings, while HK$169,125,000 of bank borrowings were collared at rates ranging from 1.37% to 6.00% per annum. The nature and maturing profile of the Group's bank borrowings at 31 December 2014, based on contracted repayment schedules were as follows:

	HK$'000	**% of total bank borrowings**
Due within one year or on demand:		
– Trust receipt loans	27,235	2.1
– Bank advances for discounted bills	13,708	1.1
– Working capital and short term loans	497,217	38.4
– Current portion of medium term loans	606,836	46.9
	1,144,996	88.5
Medium term loan		
– Due in the second year	150,000	11.6
	1,294,996	100.1
Unamortized loan arrangement fees	(1,159)	(0.1)
Total	1,293,837	100.0

Debt and liquidity ratios

Gearing ratio (calculated as total bank borrowings less bank balances and cash divided by Shareholders' equity) of the Group increased from 61.1% at 31 December 2013 to 65.8% at 31 December 2014. The amount of net bank borrowings at 31 December 2014 reduced as compared to 31 December 2013, the higher gearing ratio at 31 December 2014 as compared to 31 December 2013 was attributable to the larger decrease in Shareholders' equity which was mainly due to the impairment loss recognised in respect of property, plant and equipment of HK$147,000,000 during the year. The current ratio (calculated as current assets divided by current liabilities) of the Group was 0.98 times at 31 December 2014, lower as compared to 1.16 times at 31 December 2013. Included in current liabilities at 31 December 2014 was bank borrowings that are due after one year but contain a repayment on demand clause totaling HK$149,791,000 (31 December 2013: HK$434,291,000). When these bank borrowings are excluded, current ratio of the Group would be 1.07 times at 31 December 2014, still lower as compared to 1.58 times at 31 December 2013.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. The Group's bank balances and cash are therefore mainly in RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavor to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As such, the Group increased the proportion of borrowings in HKD and USD during the year to further reduce interest costs. The percentage of bank borrowings of the Group denominated in HKD and USD rose from 60.2% at 31 December 2013 to 72.5% at 31 December 2014. The respective currency composition of the Group's bank balances and cash and bank borrowings was as follows:

Bank balances and cash

	31 December 2014		31 December 2013	
	HK$'000	*%*	*HK$'000*	*%*
RMB	**31,402**	**45.6**	78,112	63.0
HKD	**4,555**	**6.6**	9,607	7.7
USD	**29,480**	**42.9**	35,926	29.0
Other currencies	**3,352**	**4.9**	365	0.3
Total	**68,789**	**100.0**	124,010	100.0

Bank borrowings

	31 December 2014		31 December 2013	
	HK$'000	*%*	*HK$'000*	*%*
RMB	**355,861**	**27.5**	565,316	39.8
HKD	**861,185**	**66.6**	767,649	54.0
USD	**76,791**	**5.9**	89,007	6.2
Total	**1,293,837**	**100.0**	1,421,972	100.0

In respect of exposure to interest rate risk, even though the majority of the bank borrowings are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit or loss and cash flows of the Group, as we were of the view that interest rate would hover at a relatively low level for at least the forthcoming year.

The Group had not entered into any derivative financial instruments to hedge against foreign currency or interest rate risk during the year under review. However, we would keep monitoring the currency and interest rate composition of the Group's bank borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks as needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Group during the year amounted to HK$13,171,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The capital expenditures to be incurred in 2015 are estimated to be approximately HK$13,906,000, which are also mainly to be incurred by Steel cord segment. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2014, the Group had a total of 2,141 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the year amounted to approximately HK$21,642,000.

The Group had also provided training programmes or courses for the mainland staff at all levels from different departments and also for Directors and employees of the Company so as to further enhance their technical skills in production operation and management, professional skills and knowledge, respectively.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme remains in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

Share options granted and remained outstanding under the 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

During the year under review, no options granted under the 2002 Scheme have been exercised while 2,000,000 share options were cancelled.

No share options were granted, exercised, cancelled or lapsed under the 2012 Scheme during the year under review.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 31 December 2014.

At 31 December 2014, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK$11,700,000; and

2. Equity interests in certain subsidiaries of the Company.

PROGRESS OF THE POSSIBLE DEEMED DISPOSAL OF EQUITY INTEREST IN TESC AND THE PROPOSED STRATEGIC COOPERATION WITH 棗莊礦業(集團)有限責任公司(ZAOZHUANG MINING (GROUP) CO., LTD.*) ("ZAOZHUANG MINING")

On 13 July 2014, the Company and Zaozhuang Mining, an independent third party, which is principally engaged in coal production and operates in Zaozhuang, the PRC, entered into a non-legally binding memorandum of understanding (the "MOU") under which it is proposed that Zaozhuang Mining shall inject certain capital into TESC (the "Proposed Capital Injection"). After the completion of the Proposed Capital Injection, the Group and Zaozhuang Mining, each holds 50% of the enlarged registered capital of TESC. The capital injected by Zaozhuang Mining will be utilised to fund the phase II construction of TESC's steel cord production facilities with an annual production capacity of 100,000 tonnes. Under the MOU, the Company and Zaozhuang Mining jointly expressed the intention to cooperate in the operation and management of TESC, and have the proposed strategic cooperation after completion of the Proposed Capital Injection.

As at the date of this announcement, no legally-binding agreement has been entered into in relation to the Proposed Capital Injection and the proposed strategic cooperation between the Group and Zaozhuang Mining and its subsidiaries due to the due diligence process by Zaozhuang Mining on TESC has not yet completed and the internal approval process conducted by Zaozhuang Mining is still underway. As the Proposed Capital Injection may or may not proceed, Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

BUSINESS OUTLOOK

The Group is not optimistic about the outlook of both Steel cord and Copper and brass products segments in year 2015 as we predict the uncertain economic condition in developed countries and fluctuation of copper price will linger coupled with continual intense competition in the steel cord industry. The over production capacity of steel cord suppliers will continue to cause pressure on selling price in order to strive for or maintain their respective market share, which is attributable to similar competition expected to be happening to our downstream customers, i.e. radial tyre manufacturers, in year 2015. To alleviate this negative impact on our steel cord business, the Group has to improve its product quality and maintain its reputed "Eastern" brand name in the market. It will continue exploring potential business opportunities with international clients by developing more advanced specification of products so as to bring a greater contribution to the Group's future earnings. Lastly, the Group resolves to continue to reduce its production costs and enhance its production efficiency so as to resist the difficulties ahead in the coming year.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 May 2015 to 22 May 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting which is scheduled to be held on 22 May 2015, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 20 May 2015.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognizes that an effective internal control system is crucial to the long term development of the Company. Hence, the Board reviews from time to time the effectiveness of the system of internal control of the Group, such as financial, operational and compliance controls and risk management functions. The Company has adopted the SCCHL Corporate Governance Code and the Internal Control Manual, which will be amended and revised from time to time in order to enhance the effectiveness of the corporate governance practices and internal control system, and also to be in line with the relevant amendments to the law, rules and regulations.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the year ended 31 December 2014, except for deviations from code provisions as below:

Deviation from code provision A.1.1 of the Code

During the year under review, the Company held three regular board meetings instead of holding at least four regular board meetings a year as required under the code provision A.1.1 of the Code. However, the three regular board meetings have achieved active participation of Directors and all Directors (except one of the Directors was absent due to his health reason) had shown their high attendance rate of the three board meetings during the year. Further, the Directors consider it is more efficient to hold board meetings to address emerging or ad hoc issues as appropriate and sufficient measures have been taken to ensure there is efficient communication among the Directors.

Deviation from code provision D.1.4 of the Code

Due to the nomination of Mr. Zhang Zhong (the former executive Director) as the representative of Bekaert in accordance with the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert, Mr. Zhang does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director which therefore deviates from code provision D.1.4 of the Code.

After the reporting date, Bekaert determined to nominate Mr. Liao Jun as a non-executive Director instead of an executive Director of the Company, to succeed Mr. Zhang and the Company also agreed to such new arrangement. As such, Mr. Liao also does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director and will deviate from the aforesaid code provision also.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

ACKNOWLEDGEMENTS

On behalf of the Board, I am grateful for the perseverance and resilience of our staff in such a difficult time and thank for them for their unswerving efforts. I also take this opportunity to express my heartfelt gratitude to all Shareholders, investors and business partners for their patience, understanding and continued support during the adverse period of time.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the meanings set out below:

"2002 Scheme"	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
"2012 Scheme"	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
"Bekaert"	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder (as defined under the SFO) of the Company
"Board"	the board of Directors
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Internal Control Manual"	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter

"JESC"	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Steel cord"	manufacturing of steel cord for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TESC"	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"USA"	United States of America
"USD/US$"	United States dollars, the lawful currency of USA
"%"	per cent.

By order of the Board
Shougang Concord Century Holdings Limited
Li Shaofeng
Chairman

Hong Kong, 26 March 2015

As at the date of this announcement, the Board comprises the following Directors:

Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Liao Jun (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chan Chung Chun (Independent Non-executive Director).

This final results announcement is published on the websites of the Company at http://www.irasia.com/listco/hk/sccentury/ and the Stock Exchange at http://www.hkexnews.hk. The 2014 Annual Report will be despatched to Shareholders and made available on the above websites in due course.

* *For identification purpose only*