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 2015

HIGHLIGHTS	**For the year ended 31 December**		
	2015	2014	**Change**
	HK$'000	*HK$'000*	***%***
Operations			
Revenue	**1,480,507**	1,787,444	**-17.2**
Gross profit	**19,034**	133,785	**-85.8**
LBITDA *(Note 1)*	**(187,719)**	(52,241)	**+259.3**
Adjusted EBITDA *(Note 2)*	**4,923**	116,923	**-95.8**
Loss for the year	**(376,985)**	(275,774)	**+36.7**
Loss per Share (basic) *(HK cents)*	**(19.61)**	(14.34)	**+36.7**

Notes:

1. LBITDA represents loss before finance costs, income tax, depreciation and amortisation.

2. Adjusted EBITDA represents LBITDA before (i) allowance for inventories recognised of HK$13,511,000 (2014: HK$5,275,000); (ii) allowance for bad and doubtful debts of HK$4,511,000 (2014: HK$16,830,000); (iii) bad debts written off of HK$4,007,000 (2014: nil); (iv) impairment loss recognised in respect of property, plant and equipment of HK$93,000,000 (2014: HK$147,000,000); (v) impairment loss recognised in respect of goodwill of HK$41,672,000 (2014: nil); (vi) increase in fair value of investment properties of HK$3,253,000 (2014: HK$1,699,000); and (vii) foreign exchange losses of HK$39,194,000 (2014: HK$1,758,000).

	At 31 December		
	2015	2014	**Change**
	HK$'000	*HK$'000*	***%***
Financial position			
Total assets	**3,006,147**	3,610,120	**-16.7**
Shareholders' equity	**1,395,870**	1,861,882	**-25.0**
Net asset value per Share *(HK$)*	**0.726**	0.968	**-25.0**

The Board announces that the audited consolidated results of the Group for the year ended 31 December 2015 and that final results were reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**1,480,507**	1,787,444
Cost of sales		**(1,461,473)**	(1,653,659)
Gross profit		**19,034**	133,785
Investment and other income	*5*	**1,546**	3,549
Other gains and losses	*6*	**(178,683)**	(163,561)
Distribution and selling expenses		**(45,602)**	(51,067)
Administrative expenses		**(73,803)**	(73,592)
Research and development expenses		**(47,687)**	(58,374)
Finance costs	*7*	**(52,767)**	(65,379)
Loss before tax		**(377,962)**	(274,639)
Income tax credit (expense)	*8*	**977**	(1,135)
Loss for the year	*9*	**(376,985)**	(275,774)
Loss per share	*11*		
Basic and diluted		**(HK19.61 cents)**	(HK14.34 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
Loss for the year	**(376,985)**	(275,774)
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss		
Exchange differences arising on translation of group entities	**(106,709)**	(7,208)
Surplus on revaluation of properties	**21,541**	18,762
Effect on deferred tax liability upon change in tax rate of a subsidiary	**–**	4,065
Recognition of deferred tax liability on revaluation of properties	**(3,859)**	(3,217)
Other comprehensive (expense) income for the year (net of tax)	**(89,027)**	12,402
Total comprehensive expense for the year	**(466,012)**	(263,372)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties	*12*	**50,727**	48,547
Property, plant and equipment	*12*	**1,357,961**	1,659,243
Prepaid lease payments		**159,417**	178,000
Goodwill	*13*	**–**	41,672
Club memberships		**738**	761
Deposit paid for the acquisition of property, plant and equipment		**956**	345
Deferred tax assets	*18*	**–**	1,282
		1,569,799	1,929,850
Current assets			
Inventories		**239,709**	337,432
Trade receivables	*14*	**463,061**	566,976
Bills receivable	*14*	**411,547**	558,370
Prepayments, deposits and other receivables		**103,951**	140,005
Prepaid lease payments		**8,191**	8,698
Bank balances and cash		**209,889**	68,789
		1,436,348	1,680,270
Current liabilities			
Trade payables	*15*	**334,033**	288,550
Other payables and accruals	*15*	**107,933**	118,926
Tax payable		**18,236**	15,788
Loan from a related company	*16*	**52,252**	–
Bank borrowings – due within one year	*17*	**866,867**	1,293,837
		1,379,321	1,717,101
Net current assets (liabilities)		**57,027**	(36,831)
Total assets less current liabilities		**1,626,826**	1,893,019

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current liabilities			
Bank borrowings – due after one year	*17*	**199,000**	–
Other payable		**1,118**	1,122
Deferred tax liabilities	*18*	**30,838**	30,015
		230,956	31,137
		1,395,870	1,861,882
Capital and reserves			
Share capital	*19*	**1,191,798**	1,191,798
Reserves		**204,072**	670,084
		1,395,870	1,861,882

Notes:

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (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 Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate. For the convenience of financial statements users, these consolidated financial statements are presented in Hong Kong dollars ("HKD").

2. BASIS OF PREPARATION AND APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("CO").

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

Application of amendments to HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in 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 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[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 HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 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 2016

3 Effective for annual periods beginning on or after a date to be determined

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 in 2013 to include the new requirements for general 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:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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 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 attributable to a 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 is 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.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial assets and financial liabilities as at 31 December 2015, the directors of the Company 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*

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 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 of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in these 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.

The directors of the Company do not anticipate that the application of other new and revised HKFRSs will have a material impact on these consolidated financial statements.

3. 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 is as follows:

	2015	2014
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cords	**1,164,609**	1,417,930
Processing and trading of copper and brass products	**314,163**	367,835
	1,478,772	1,785,765
Rental income	**1,735**	1,679
	1,480,507	1,787,444

4. 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 *Operating Segments* 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.

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

For the year ended 31 December 2015

	Steel cord *HK$'000*	**Copper and brass products** *HK$'000*	**Segment total** *HK$'000*
Segment revenue			
External sales	**1,164,609**	**314,163**	**1,478,772**
Inter-segment sales *(Note)*	**–**	**18,853**	**18,853**
Total	**1,164,609**	**333,016**	**1,497,625**
Segment results	**(213,802)**	**334**	**(213,468)**

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

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	**1,497,625**
Rental income	**1,735**
Elimination of inter-segment sales	**(18,853)**
Group revenue	**1,480,507**

Reconciliation of loss before tax

	HK$'000
Total loss for operating segments	**(213,468)**
Profit arising from property investment	**4,494**
Unallocated amounts	
Unallocated income	**600**
Unallocated foreign exchange losses, net	**(45,009)**
Unallocated expenses	**(71,812)**
Unallocated finance costs	**(52,767)**
Loss before tax	**(377,962)**

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)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent 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 of the Company, 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.

5. INVESTMENT AND OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**596**	1,807
Other income		
Government grants *(Note)*	**729**	1,418
Sales of scrap materials	**221**	324
	950	1,742
	1,546	3,549

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

6. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Foreign exchange losses, net	**(39,194)**	(1,758)
Changes in fair value of investment properties	**3,253**	1,699
Impairment loss recognised in respect of property, plant and equipment	**(93,000)**	(147,000)
Impairment loss recognised in respect of goodwill	**(41,672)**	–
Allowance for bad and doubtful debts recognised, net	**(4,511)**	(16,830)
Bad debts written off	**(4,007)**	–
(Loss) gain on disposal of property, plant and equipment, net	**(139)**	17
Others	**587**	311
	(178,683)	(163,561)

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**46,316**	61,131
Interest expenses on loan from a related company	**2,757**	–
Amortisation of transaction costs	**3,694**	4,483
Total borrowing costs	**52,767**	65,614
Less: amounts capitalised	**–**	(235)
	52,767	65,379

During the year ended 31 December 2014, borrowing costs capitalised arose on general borrowing pool and were calculated by applying a capitalisation rate of 3.93% (2015: Nil) per annum to expenditure on qualifying assets. In October 2014, the loan specified for the construction of the qualifying assets was fully repaid and no borrowing cost is capitalised thereafter.

8. INCOME TAX (CREDIT) EXPENSE

	2015	2014
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**767**	387
Over provision in prior years:		
PRC EIT	**(772)**	(1,139)
Deferred tax	**(972)**	1,887
	(977)	1,135

No provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 2014 as there is no assessable profit subject to Hong Kong Profits Tax for both years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Jiaxing Eastern Steel Cord Co., Ltd. ("JESC"), an indirect wholly-owned 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 15% for the years ended 31 December 2015 and 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.

9. LOSS FOR THE YEAR

	2015	2014
	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$13,511,000 (2014: HK$5,275,000))	**1,441,577**	1,633,446
Depreciation of property, plant and equipment	**128,930**	148,356
Auditor's remuneration:		
– Audit services	**1,360**	1,321
– Non-audit services	**591**	413
Amortisation of prepaid lease payments (included in "Cost of sales")	**8,546**	8,663

10. DIVIDENDS

No interim or final dividend was paid or proposed for the years ended 31 December 2015 and 2014, nor has any dividend been proposed since the end of the reporting period.

11. 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:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of calculation of basic and diluted loss per share	**(376,985)**	(275,774)

	2015	2014
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 2015 and 2014, 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.

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

During the year ended 31 December 2015, the Group incurred approximately HK$1,316,000 (2014: HK$13,088,000) on the enhancement of production facilities of Steel cord segment. In addition, the Group also acquired approximately HK$688,000 (2014: HK$83,000) of other property, plant and equipment in the current year.

During the year ended 31 December 2015, the Group disposed of certain machineries with an aggregate carrying amount of HK$914,000 (2014: HK$129,000) for cash proceeds of HK$775,000 (2014: HK$146,000), resulting in a loss on disposal of HK$139,000 (2014: gain on disposal of HK$17,000).

The fair values of the Group's investment properties as at 31 December 2015 and 2014 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$3,253,000 (2014: HK$1,699,000) has been credited to profit or loss for the year.

As at 31 December 2015 and 2014, 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$21,541,000 (2014: HK$18,762,000).

Impairment loss recognised during the year ended 31 December 2015:

As a result of the unfavourable performance of Tengzhou Eastern Steel Cord Co., Ltd. ("TESC"), an indirect wholly-owned subsidiary of the Company, and the unexpected significant decline in average selling price of steel cords during the year ended 31 December 2015, the management conducted impairment assessments 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 ("CGU") to which the property, plant and equipment belongs. 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 2015 was determined based on value in use calculation and certain key assumptions. Value in use calculation used cash flow projections based on financial budgets approved by the management covering a five-year period. Discount rate used for the value in use calculations is at 10.86%. Cash flow beyond the five-year period was extrapolated using a zero growth rate. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin. Such estimation was based on the management's expectations for the market development.

During the year ended 31 December 2015, an impairment loss of HK$93,000,000 was recognised in the profit or loss of which (i) HK$91,770,000 was allocated to plant and machinery; (ii) HK$382,000 was allocated to furniture, fixtures and equipment; (iii) HK$152,000 was allocated to motor vehicles; and (iv) HK$696,000 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.

Impairment loss recognised during the year ended 31 December 2014:

The recoverable amount of TESC as at 31 December 2014 is determined based on value in use calculation and certain key assumptions. Value in use calculation used cash flow projections based on financial budgets approved by the management covering a five-year period. Discount rate used for the value in use calculations is at 10.81%. Cash flow beyond the five-year period was extrapolated 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 was 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.

13. GOODWILL

	HK$'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	41,672
IMPAIRMENT	
At 1 January 2014 and 31 December 2014	–
Impairment loss recognised in profit or loss	41,672
At 31 December 2015	41,672
CARRYING VALUE	
At 31 December 2015	–
At 31 December 2014	41,672

For the purposes of impairment testing, goodwill has been allocated to one CGU, comprising a subsidiary in the steel cord segment, JESC. 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 the CGU was determined based on value in use calculation and certain key assumptions. Value in use calculation used cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10.38% (2014: 10.81%). The cash flow of the CGU beyond the five-year period was extrapolated using a zero growth rate. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which include budgeted revenue, gross margin and other direct costs. Such estimation was based on the management's expectations for the market development.

During the year ended 31 December 2015, due to decline in average selling price of steel cords as price competition associated with overcapacity situation in the steel cord industry which results in an unexpected unfavourable performance of JESC, an impairment loss of HK$41,672,000 was recognised for the CGU. The impairment loss fully impaired the carrying amount of goodwill, but no other class of asset other than goodwill was impaired.

During the year ended 31 December 2014, the management of the Group determined there was no impairment of the CGU containing goodwill.

14. TRADE RECEIVABLES/BILLS RECEIVABLE

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**514,089**	616,925
Less: allowance for bad and doubtful debts	**(51,028)**	(49,949)
	463,061	566,976
Bills receivable	**411,547**	558,370
	874,608	1,125,346

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**332,284**	379,379
91 – 180 days	**115,770**	158,199
Over 180 days	**15,007**	29,398
	463,061	566,976

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

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**35,534**	11,346
91 – 180 days	**240,893**	195,981
Over 180 days	**135,120**	351,043
	411,547	558,370

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:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**70,985**	55,034
31 – 90 days	**128,768**	89,798
91 – 180 days	**98,029**	128,977
181 – 365 days	**27,043**	10,276
Over 1 year	**9,208**	4,465
	334,033	288,550

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$51,114,000 (2014: HK$70,269,000).

16. LOAN FROM A RELATED COMPANY

The amount represents the loan from and interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly-owned subsidiary of Shougang HK. The Company is an associate of Shougang HK. The loan is unsecured, bear interest at 6% per annum and repayable within one year.

17. BANK BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Other bank loans	**1,030,249**	1,254,053
Less: transaction costs	**(4,936)**	(1,159)
	1,025,313	1,252,894
Trust receipt loans	**22,649**	27,235
Discounted bills with recourse	**17,905**	13,708
	1,065,867	1,293,837
Secured	**16,622**	22,926
Unsecured	**1,049,245**	1,270,911
	1,065,867	1,293,837

18. DEFERRED TAX

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

	2015	2014
	HK$'000	*HK$'000*
Deferred tax assets	**–**	(1,282)
Deferred tax liabilities	**30,838**	30,015
	30,838	28,733

19. SHARE CAPITAL

	Number of shares	**Amount**
	'000	***HK$'000***
Authorised		
At 1 January 2014		
– Ordinary shares of HK$0.10 each	5,000,000	500,000
At 31 December 2014 and 2015 *(Note i)*	N/A	N/A
Issued and fully paid		
At 1 January 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 *(Note ii)*	–	999,508
At 31 December 2014 and 2015		
– Ordinary shares with no par value	1,922,901	1,191,798

Notes:

i. Under the CO, with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have 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.

ii. In accordance with the transitional provisions set out in section 37 of schedule 11 to the CO, on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital.

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 managing Director who will 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

The Group experienced a difficult period during the year under review. The slowdown in economic growth in the PRC during the year triggered the contraction in industrial demand and remarkable decline in commodity prices. According to the information from the National Bureau of Statistics of the PRC, the PRC recorded economic growth of 6.9% for the year, lowered by 0.4 percentage point as compared to a year-on-year growth of 7.3% in the previous year. As the automotive, property development and import/export sectors either lagged behind the said national economic growth or exhibited negative growth during the year, the demand for radial tyres softened as a result. Affected by the weaker demand of radial tyres, the Steel cord segment recorded reduced sales volume during the year. Furthermore, the selling price of steel cords continued to decline as price competition associated with overcapacity situation in the steel cord industry further intensified. Attributable to these factors, the Steel cord segment recorded substantial decrease in gross profit and increase in operating loss during the year.

In respect of Copper and brass products segment, revenue dropped as compared to the previous year, mainly as a result of the substantial drop in international copper price during the year. Despite the decrease in revenue, through the continued implementation of risk-averse sales and inventory management strategy, this segment achieved an increase in operating profit during the year.

For the Group as a whole, it recorded significant increase in LBITDA, and substantial decrease in Adjusted EBITDA during the year. Such unsatisfactory performance was mainly attributable to the unfavorable performance of Steel cord segment.

Steel cord

Overall performance

The growth of the automobile industry in the PRC continued to decelerate during the year under review. According to the information from China Association of Automobile Manufacturers, the production of new vehicles amounted to 24.50 million units in 2015, represented an annual growth of 3.3% over the previous year, descended as compared to the corresponding annual growth of 7.3% in the previous year. During the year under review, the production volume of passenger cars increased by 5.8% over the previous year; whereas, the production volume of commercial vehicles recorded a decrease of 2.7% over the same period. Such decrease in production volume of commercial vehicles was more critical to the radial tyres industry as the demand of radial tyres for commercial vehicles accounted for a majority part of total demand for radial tyres. Attributable to this, the production volume of radial tyres recorded a meager growth during the year. Based on the information from the Tyre Branch of China Rubber Industry Association, the production of radial tyres amounted to approximately 515.0 million units in 2015, slightly increased by 0.8% from 511.0 million units produced in the previous year.

Attributable to the slower growth in production of motor vehicles and radial tyres as mentioned above, this segment recorded a moderate 2.5% decrease in sales volume of steel cords during the year. However, the average selling price of steel cords declined significantly by 14.1% as compared to the previous year as pricing pressure had not relieved in light of the persistent overcapacity situation of the steel cord industry and the reduced demand in the PRC.

The unit cost of sales of steel cords also decreased as compared to the previous year, however it was not able to recoup the reduced revenue arising from the 14.1% drop in average selling price of steel cords. Hence, gross profit of this segment sharply decreased by 92.6% as compared to that of the previous year to HK$9,084,000 (2014: HK$123,028,000) for the year.

Due to the marked decrease in gross profit and the impairment loss recognised in respect of property, plant and equipment which is illustrated under the sub-section "*Impairment loss recognised in respect of property, plant and equipment*" here below, this segment recorded increase in LBITDA and decrease in Adjusted EBITDA for the year. LBITDA amounted to HK$77,352,000 for the year, increased by 156.5% as compared to HK$30,155,000 for the previous year. Adjusted EBITDA (excluding allowance for inventories recognised; allowance for bad and doubtful debts, net; bad debts written off; impairment loss recognised in respect of property, plant and equipment; and foreign exchange gains/losses) was HK$31,367,000 for the year, significantly decreased by 77.5% as compared to HK$139,665,000 for the previous year.

Also attributable to the significant decrease in gross profit and the impairment loss recognised as mentioned above, this segment recorded operating loss of HK$213,802,000 for the year, increased by 15.3% as compared to HK$185,445,000 for the previous year.

Revenue

This segment sold 115,564 tonnes of steel cords during the year, moderately decreased by 2.5% as compared to 118,554 tonnes for the previous year. In respect of its sawing wire business, this segment sold an aggregate of 302 tonnes of half products and final products of sawing wires during the year, declined by 55.0% as compared to 671 tonnes for the previous year. The analysis of sales volume of this segment is as follows:

	2015		2014		
	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	**80,663**	**69.8**	86,235	72.8	**-6.5**
– off the road truck tyres	**3,362**	**2.9**	4,186	3.5	**-19.7**
– passenger car tyres	**31,539**	**27.3**	28,133	23.7	**+12.1**
Total for steel cords	**115,564**	**100.0**	118,554	100.0	**-2.5**
Sawing wires:					
– half product	**58**		255		**-77.3**
– final product	**244**		416		**-41.3**
Total for sawing wires	**302**		671		**-55.0**
Other steel wires	**405**		394		**+2.8**
Total	**116,271**		119,619		**-2.8**

The sales volume of steel cord for truck tyres decreased by 6.5% as compared to the previous year, being the impact of the decrease in demand of radial tyres for commercial vehicles. The proportion of sales volume of steel cord for truck tyres was 69.8% for the year, decreased by 3.0 percentage points as compared to the previous year, but still remained as the largest portion of sales volume of steel cords for the year.

In respect of the sales of steel cords by region, the volume of export sales of steel cords amounted to 19,438 tonnes for the year, increased by 27.0% as compared to 15,300 tonnes for the previous year, as we exerted more efforts on penetrating into international customers during the year. The volume of export sales represented 16.8% of total sales volume of steel cords for the year, increased by 3.9 percentage points as compared to 12.9% for the previous year. The breakdown of sales volume of steel cords by geographical location is as follows:

	2015		2014		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
PRC	**96,126**	**83.2**	103,254	87.1	**-6.9**
Export sales:					
Asia (other than PRC)	**11,587**	**10.0**	10,322	8.7	**+12.3**
North America	**2,236**	**1.9**	2,348	2.0	**-4.8**
EMEA (Europe, Middle East and Africa)	**4,505**	**3.9**	462	0.4	**+875.1**
South America	**1,110**	**1.0**	2,168	1.8	**-48.8**
Total export sales	**19,438**	**16.8**	15,300	12.9	**+27.0**
Total	**115,564**	**100.0**	118,554	100.0	**-2.5**

In respect of selling price, price erosion deepened during the year as the overcapacity situation of the steel cord industry in the PRC was exacerbated by the weaker demand of steel cords. The overcapacity situation coupled with weaker demand triggered increased competition during the year; the average selling price of steel cords therefore declined significantly by 14.1% as compared to the previous year.

As both sales volume and average selling price of steel cords dropped during the year, it follows that the revenue of this segment decreased by 17.9% as compared to the previous year to HK$1,164,609,000 (2014: HK$1,417,930,000) for the year.

Cost of sales

Cost of sales of this segment decreased by 10.8% to HK$1,155,525,000 (2014: HK$1,294,902,000) for the year. In addition to the decrease in total sales volume of 2.8% as compared to the previous year, the decrease in cost of sales was brought along by the decrease in unit production cost of steel cords of both our two manufacturing plants, JESC and TESC, during the year, which was mainly contributed by the declining raw material prices. Along with the reduction in unit production cost, the unit cost of sales of steel cords (excluding allowance for inventories recognised) decreased by approximately 7.8% as compared to the previous year.

Gross profit

Gross profit of this segment decreased discernibly by 92.6% as compared to the previous year to HK$9,084,000 (2014: HK$123,028,000) for the year. The significant decrease was mainly attributable to the decrease in sales volume of steel cords of 2.5% and the significant decline in average selling price of steel cords of 14.1% as compared to the previous year that attributable to the decrease in revenue of HK$253,321,000 as compared to the previous year.

As cost of sales decreased by 10.8% as compared to the previous year, which was not sufficient to compensate for the decrease in revenue, gross profit margin substantially declined from 8.7% in the previous year to 0.8% for the year.

Investment and other income

Investment and other income amounted to HK$765,000 for the year, decreased by 56.1% as compared to HK$1,742,000 for the previous year, mainly as the amount of government grants decreased by 61.6% as compared to the previous year to HK$545,000 (2014: HK$1,418,000) for the year.

Allowance for bad and doubtful debts, net and bad debts written off

An allowance for bad and doubtful debts of HK$4,511,000 was made during the year, while there was bad debts written off of HK$4,007,000 (2014: Nil) for the year, therefore, the total amount of bad debts was HK$8,518,000 for the year, reduced by 49.4% as compared to the allowance for bad and doubtful debts of HK$16,830,000 for the previous year.

Impairment loss recognised in respect of property, plant and equipment

There was unexpected significant decline in average selling price of steel cords during the year, especially since the second quarter. When compared to the average selling price of the Group for the previous year, the average selling price moderately declined by 3.5% in the first quarter. However, the extent of drop in average selling price substantially increased to 11.7% in the second quarter which caused TESC to incur substantial amount of gross loss in the first half year. The management of the Group therefore had conducted an impairment assessment on the carrying value of the property, plant and equipment of TESC at the end of the interim period which was determined based on value in use calculation. On the expectation that the Group will still face intense competition in the steel cord industry in the near term that may continue to hinder the rebound in average selling price of steel cords, an impairment loss of HK$93,000,000 was recognised on the property, plant and equipment of TESC in the first half year.

In view of the continuing decline in average selling price of steel cords during the second half year, an impairment assessment was also conducted at the end of the reporting period, using the same methodology as that carried out at the end of the interim period. Despite the average selling price of steel cords further declined during the second half year that resulted to a full year decrease of 14.1% as compared to the previous year, the sales volume of steel cords of TESC in the second half year increased by 118.7% over the first half year. Such palpable increase was the fruition of our sales effort on expanding customer profile and development of product construction types. On the other hand, unit cost of production of steel cords also had a remarkable decrease, contributed by the increase in production volume and continuing decline in raw material prices during the second half year. On this basis, the management of the Group concluded that no further impairment was required at the end of the reporting period. Nonetheless, the amount of impairment loss recognised in respect of property, plant and equipment was HK$93,000,000 for the year, decreased by 36.7% as compared to HK$147,000,000 for the previous year.

Attributable to the significant decline in average selling price of steel cords during the year, the Group also recognised an impairment loss on goodwill of HK$41,672,000 in respect of the Group's investment in Steel cord segment during the year. Further details of the impairment loss recognised in respect of goodwill are illustrated under "**FINANCIAL REVIEW**" section below.

Distribution and selling expenses
Distribution and selling expenses decreased by 10.6% as compared to the previous year to HK$42,476,000 (2014: HK$47,536,000) for the year, outpacing the decrease of sales volume of 2.8% of this segment as compared to the previous year.

Administrative expenses
Administrative expenses amounted to HK$38,028,000 for the year, decreased by 4.7% as compared to HK$39,919,000 for the previous year.

Research and development expenses
Research and development expenses amounted to HK$47,687,000 (2014: HK$58,374,000) for the year, lowered by 18.3% as compared to the previous year. These expenses accounted for 4.1% of revenue of this segment for the year, which was the same level of the previous year.

Copper and brass products

Overall performance

During the year under review, the industrial activities in the PRC slowed down and the economic development of other major western countries remained stagnant. Such economic performance affected the global demand for commodity products, including copper, during the year. The sales volume of this segment slightly decreased by 1.6% as compared to the previous year; however, gross profit margin improved through the implementation of risk-averse sales and inventory management strategy. This segment achieved an increase in operating profit during the year as a result. It recorded operating profit of HK$334,000 for the year, significantly increased by 581.6% as compared to HK$49,000 in the previous year.

Revenue

This segment sold 7,696 tonnes of copper and brass products during the year, slightly decreased by 1.6% as compared to 7,823 tonnes for the previous year. The sales to PRC customers maintained the same level as the previous year, while the sales to customers in Hong Kong and other countries declined by 6.1% as compared to the previous year. Therefore the percentage of sales volume in the PRC increased from 70.7% in the previous year to 72.1% for the year. The breakdown of sales volume by geographical regions is as follows:

	2015		2014		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
PRC	**5,545**	**72.1**	5,532	70.7	**+0.2**
Hong Kong and other countries	**2,151**	**27.9**	2,291	29.3	**-6.1**
Total	**7,696**	**100.0**	7,823	100.0	**-1.6**

Copper price experienced significant decline during the year, in which the 3-month copper price as quoted by the London Metals Exchange recorded a decrease of 25.3% throughout the year under review. As such, the average selling price of this segment recorded a decrease of 13.6% as compared to the previous year. Attributable to the reduced sales volume and significant decline in average selling price, this segment recorded a decline in revenue of 15.0% as compared to the previous year to HK$333,016,000 (2014: HK$391,688,000) for the year.

Gross profit

Despite revenue decreased by 15.0% as compared to the previous year, gross profit recorded a moderate decrease of 9.4% as compared to the previous year to HK$8,329,000 (2014: HK$9,194,000) for the year, as this segment adopted a risk-averse sales and inventory management strategy since the previous year to react to the downward copper price in recent years. Gross profit margin improved by 0.2 percentage point from 2.3% of the previous year to 2.5% for the year.

Relationship with key customers and suppliers

The revenue from sales to top five customers of the Group accounted for 44.7% (2014: 36.5%) of total revenue of the Group for the year, while the revenue from sales to the largest customer accounted for 11.4% (2014: 10.1%) of total revenue of the Group for the year.

All of the top five customers for the year are customers of Steel cord segment, they are well-known radial tyres manufacturers either in the PRC or in worldwide markets, and have business relationships with the Group for over five years. The credit period granted to these top five customers are from a range of 30 to 90 days, which was similar to the credit periods granted to other customers of the Group. We have reviewed the receivables position of these customers at the end of the reporting period and are of the view that no allowance for bad and doubtful debts is required.

The risks associated with the reliance on major customers increased during the year as the percentage of sales to top five customers increased from 36.5% in the previous year to 44.7% of total revenue of the Group for the year. Any changes in the business operations, financial conditions or purchasing patterns of these customers that result to the termination of business with our Steel cord segment, may have material impact to the results of the Group. The management of the Group values the long term relationships with these customers. We will mitigate these risks by the delivery of high and persistent stable quality products and keeping pace with these customers' new products development through our ongoing research and development activities. We will also exert more efforts on development of new customers and/or ripening the product mix to other customers to reduce the reliance to these major customers.

Regarding suppliers, the purchases from the Group's five largest suppliers accounted for approximately 38.9% (2014: 38.7%) of total purchases of the Group for the year, while the purchases from the largest supplier accounted for 9.1% (2014: 11.8%) of total purchases of the Group for the year.

The supplies from these five largest suppliers comprised steel wire rod for manufacturing of steel cords and copper and brass materials for Copper and brass products segment. The Group has business relationship with these suppliers for over five years. We value the long term relationships with these suppliers, who have been consistently providing stable quality of raw materials to the Group. We aim to maintaining ongoing mutual trust with these suppliers.

As far as the Directors are aware, neither the Directors, their associates, nor those Shareholders (which to the best knowledge of the Directors, own more than 5% of the total number of issued shares of the Company) had any beneficial interest in the Group's five largest customers or suppliers.

FINANCIAL REVIEW

The Group reported net loss of HK$376,985,000 for the year, increased by 36.7% as compared to HK$275,774,000 for the previous year. The key financial performance indicators of the Group for the year are analysed as follows:

	2015	2014	
	HK$'000	*HK$'000*	**Change**
OPERATING PERFORMANCE			
Revenue	**1,480,507**	1,787,444	**-17.2%**
Gross profit margin (%)	**1.3**	7.5	**-6.2pp**
LBITDA	**(187,719)**	(52,241)	**+259.3%**
LBITDA margin (%)	**-12.7**	-2.9	**-9.8pp**
Adjusted EBITDA	**4,923**	116,923	**-95.8%**
Adjusted EBITDA margin (%)	**0.3**	6.5	**-6.2pp**
Loss for the year	**(376,985)**	(275,774)	**+36.7%**
Net loss margin (%)	**-25.5**	-15.4	**-10.1pp**
Basic loss per share *(HK cents)*	**(19.61)**	(14.34)	**+36.7%**

	At 31 December		
	2015	2014	
	HK$'000	*HK$'000*	**Change**
KEY FINANCIAL INDICATORS			
Total assets	**3,006,147**	3,610,120	**-16.7%**
Total liabilities	**1,610,277**	1,748,238	**-7.9%**
Equity attributable to equity holders of the Company	**1,395,870**	1,861,882	**-25.0%**
Net current assets (liabilities)	**57,027**	(36,831)	**N/A**
Bank balances and cash	**209,889**	68,789	**+205.1%**
Total interest bearing borrowings	**1,118,119**	1,293,837	**-13.6%**
Net interest bearing borrowings	**908,230**	1,225,048	**-25.9%**
Current ratio *(times)*	**1.04**	0.98	**N/A**
Gearing ratio (%)	**65.1**	65.8	**-0.7pp**

The Group recorded LBITDA of HK$187,719,000 for the year, increased by 259.3% as compared to HK$52,241,000 for the previous year, which was mainly attributable to the significant decline in average selling price of its products during the year, the impairment loss recognised in respect of property, plant and equipment and the impairment loss recognised in respect of goodwill. The Adjusted EBITDA of the Group significantly decreased by 95.8% as compared to the previous year to HK$4,923,000 (2014: HK$116,923,000) for the year, as shown below:

	2015	2014	
	HK$'000	*HK$'000*	**% change**
LBITDA	**(187,719)**	(52,241)	**+259.3**
Adjusted for:			
Allowance for bad and doubtful debts, net	**4,511**	16,830	**-73.2**
Bad debts written off	**4,007**	–	**N/A**
Foreign exchange losses, net	**39,194**	1,758	**+2129.5**
Increase in fair value of investment properties	**(3,253)**	(1,699)	**+91.5**
Impairment loss recognised in respect of property, plant and equipment	**93,000**	147,000	**-36.7**
Impairment loss recognised in respect of goodwill	**41,672**	–	**N/A**
Allowance for inventories recognised	**13,511**	5,275	**+156.1**
Adjusted EBITDA	**4,923**	116,923	**-95.8**

Revenue

Revenue of the Group amounted to HK$1,480,507,000 (2014: HK$1,787,444,000) for the year, decreased by 17.2% as compared to the previous year. The breakdown of revenue is as follows:

	2015		2014		
		% of total		% of total	
	HK$'000	**revenue**	*HK$'000*	revenue	**% change**
Steel cord	**1,164,609**	**78.7**	1,417,930	79.3	**-17.9**
Copper and brass products	**333,016**	**22.5**	391,688	21.9	**-15.0**
Sub-total	**1,497,625**	**101.2**	1,809,618	101.2	**-17.2**
Elimination of sales by Copper and brass products segment to Steel cord segment	**(18,853)**	**(1.3)**	(23,853)	(1.3)	**-21.0**
Property rental	**1,735**	**0.1**	1,679	0.1	**+3.3**
Total	**1,480,507**	**100.0**	1,787,444	100.0	**-17.2**

Gross profit

Gross profit of the Group significantly decreased by 85.8% as compared to the previous year to HK$19,034,000 (2014: HK$133,785,000) for the year, which was mainly attributable to the significant drop in gross profit of Steel cord segment. Consequently, gross profit margin of the Group also markedly decreased by 6.2 percentage points as compared to the previous year to 1.3% for the year. The breakdown of gross profit is as follows:

	2015		2014		
		Gross profit		Gross profit	
	HK$'000	**margin (%)**	*HK$'000*	margin (%)	**% change**
Steel cord	**9,084**	**0.8**	123,028	8.7	**-92.6**
Copper and brass products	**8,329**	**2.5**	9,194	2.3	**-9.4**
Property rental	**1,621**	**93.4**	1,563	93.1	**+3.7**
Total	**19,034**	**1.3**	133,785	7.5	**-85.8**

Investment and other income

Investment and other income decreased by 56.4% as compared to the previous year to HK$1,546,000 (2014: HK$3,549,000) for the year, as bank interest income and government grants decreased by 67.0% and 48.6% respectively as compared to the previous year.

Other gains and losses

The Group recorded net loss of HK$178,683,000 for the year, increased by 9.2% as compared to HK$163,561,000 for the previous year. The breakdown of other gains and losses is as follows:

	Notes	**2015** ***HK$'000***	2014 *HK$'000*	**% change**
Foreign exchange losses, net	*1*	**(39,194)**	(1,758)	**+2129.5**
Increase in fair value of investment properties		**3,253**	1,699	**+91.5**
Impairment loss recognised in respect of property, plant and equipment	*2*	**(93,000)**	(147,000)	**-36.7**
Impairment loss recognised in respect of goodwill	*3*	**(41,672)**	–	**N/A**
Allowance for bad and doubtful debts, net and bad debts written off		**(8,518)**	(16,830)	**-49.4**
Others		**448**	328	**+36.6**
Total		**(178,683)**	(163,561)	**+9.2**

Notes:

1. The Group recorded significant increase in foreign exchange loss of 2129.5% as compared to the previous year. The exchange rate of RMB quoted by the People's Bank of China (the "official RMB exchange rate") recorded a decrease of approximately 5.8% against HKD throughout the year, whereas the official RMB exchange rate only decreased by 0.3% in the previous year. Attributable to the remarkable decrease in the official RMB exchange rate, the Group recorded substantial amount of foreign exchange loss on its HKD and USD denominated bank borrowings during the year.

2. This represents impairment loss recognised in respect of property, plant and equipment of TESC, as mentioned in "**Steel cord**" section above.

3. Due to the significant decline in average selling price of steel cords during the year, the management of the Group had conducted an impairment assessment on goodwill in relation to JESC. The impairment assessment was determined based on value in use calculation, which is the same methodology used on the assessment of impairment loss recognised in respect of property, plant and equipment. The accelerated decline in average selling price of steel cords during the year severely eroded the profit margin of JESC, especially during the second half year. JESC turned from profit to substantial amount of loss in the year. We will endeavor to turnaround the operating performance of JESC through optimisation of sales product mix and implementation of cost cutting measures. However, on the expectation that the steel cord market in the PRC will remain very competitive in the near term, we concluded to recognise an impairment loss on the full amount of goodwill of HK$41,672,000 (2014: Nil) during the year.

Distribution and selling expenses

Distribution and selling expenses amounted to HK$45,602,000 (2014: HK$51,067,000) for the year, decreased by 10.7% as compared to the previous year, mainly as the sales volume of Steel cord and Copper and brass products segments decreased by 2.8% and 1.6% respectively as compared to the previous year.

Administrative expenses

Administrative expenses amounted to HK$73,803,000 (2014: HK$73,592,000) for the year, slightly increased by 0.3% as compared to the previous year. As the revenue of the Group decreased by 17.2% as compared to the previous year, the ratio of administrative expenses to revenue raised from 4.1% in the previous year to 5.0% for the year.

Research and development expenses

Research and development expenses of the Group amounted to HK$47,687,000 for the year, decreased by 18.3% as compared to HK$58,374,000 for the previous year. Such expenses were all incurred by Steel cord segment, which have been mentioned in "**Steel cord**" section above.

Segment results

The Group recorded loss of HK$213,468,000 from its business segments for the year, increased by 15.1% as compared to HK$185,396,000 for the previous year. The breakdown of the operating results of the Group's business segments for the year is as follows:

	2015 ***HK$'000***	2014 *HK$'000*	**% change**
Steel cord	**(213,802)**	(185,445)	**+15.3**
Copper and brass products	**334**	49	**+581.6**
Total	**(213,468)**	(185,396)	**+15.1**

Finance costs

Finance costs amounted to HK$52,767,000 for the year, decreased by 19.3% as compared to HK$65,379,000 for the previous year, mainly as the amount of interest bearing borrowings decreased during the year. The average interest bearing borrowings was HK$1,205,978,000 for the year, reduced by 11.2% as compared to HK$1,357,905,000 for the previous year.

Income tax credit (expense)

The Group recorded income tax credit of HK$977,000 for the year, as compared to income tax expense of HK$1,135,000 for the previous year. The income tax credit for the year was mainly the result of the partial reversal of temporary difference on deferred tax arising on loss incurred by JESC during the year.

In respect of income tax rates, 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% (2014: 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") and Implementation Regulation of the EIT Law (the "Implementation Regulation"), the subsidiaries operating in the PRC other than JESC are subject to a tax rate of 25% (2014: 25%) for the year.

In addition, according to the EIT Law and Implementation Regulation 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% (2014: 5%).

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$514,089,000 at 31 December 2015, decreased by 16.7% as compared to HK$616,925,000 at 31 December 2014. Regarding the allowance for bad and doubtful debts, certain long overdue outstanding receivables were recovered during the year. While there were delayed settlements by certain customers in Shandong province, we therefore prudently provided further allowance for bad and doubtful debts of HK$4,511,000 during the year, the amount of allowance for bad and doubtful debts increased from HK$49,949,000 at the end of 2014 to HK$51,028,000 at 31 December 2015.

The aged analysis of trade receivables (after allowance for bad and doubtful debts) as at 31 December 2015 and the comparison with the end of 2014 are as follows:

Age	**31 December 2015**		31 December 2014		**% change**
	HK$'000	*%*	*HK$'000*	*%*	
0 – 90 days	**332,284**	**71.8**	379,379	66.9	**-12.4**
91 – 180 days	**115,770**	**25.0**	158,199	27.9	**-26.8**
Over 180 days	**15,007**	**3.2**	29,398	5.2	**-49.0**
Total	**463,061**	**100.0**	566,976	100.0	**-18.3**

The overall quality of trade receivables remained healthy and in manageable condition, as trade receivables aged within 180 days accounted for 96.8% of total trade receivables at 31 December 2015, increased by 2.0 percentage points as compared to 94.8% at the end of 2014.

Regarding the balance of the allowance for bad and doubtful debts of HK$51,028,000 at 31 December 2015, 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, including the negotiation of payment by way of assets other than cash and/or instituting legal actions against those customers to claim our payment.

In respect of the trade receivables at 31 December 2015, approximately 53.7% has been subsequently settled by cash or bills receivable up to 23 March 2016. The details of subsequent settlement of trade receivables of the Group and from top five customers of the Group for the year are as follows:

Age	Total trade receivables of the Group		Trade receivables from top five customers of the Group	
	Amount at 31 December 2015 *HK$'000*	**% of subsequent settlement**	**Amount at 31 December 2015** *HK$'000*	**% of subsequent settlement**
0 – 90 days	**332,284**	**43.7**	**164,859**	**39.7**
91 – 180 days	**115,770**	**78.6**	**59,326**	**71.9**
Over 180 days	**15,007**	**82.9**	**9,419**	**100.0**
Total	**463,061**	**53.7**	**233,604**	**50.3**

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 risks. 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 maintain a sustainable growth and provide a long-term reasonable return to its Shareholders.

There was no change in the total number of issued shares of the Company during the year, the total number of issued shares of the Company remained at 1,922,900,556 Shares at 31 December 2015. Net asset value of the Group was HK$1,395,870,000 at 31 December 2015, decreased by 25.0% as compared to HK$1,861,882,000 at 31 December 2014, attributable to the loss and the conspicuous depreciation of RMB exchange rate against HKD during the year. Net asset value per Share was HK$0.726 at 31 December 2015, also decreased by 25.0% as compared to HK$0.968 at 31 December 2014.

Cash flows

Although the Group reported loss of HK$376,985,000 for the year, it generated net cash operating inflow of HK$362,421,000 for the year as follows:

	HK$'000
Net cash from operating activities as per consolidated statement of cash flows	113,321
Add: Operating cash inflows not reflected in consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks and matured during the year	236,155
Bills receivable endorsed to creditors of the Group at 31 December 2014 to settle payable for acquisition of property, plant and equipment and matured during the year	12,945
Net operating cash inflow for the year	362,421

In respect of cash flows on other activities:

1. The Group incurred net cash outflow on investing activities of HK$4,290,000 during the year, in which HK$5,661,000 that incurred mainly on the capital expenditures incurred by Steel cord segment; and

2. The Group generated net cash inflow on financing activities of HK$35,855,000 during the year. When bank advances for discounted bills of HK$245,183,000 (in which HK$236,155,000 have been repaid upon maturity of those bills during the year) were excluded, the Group incurred net cash outflow of HK$209,328,000 financing activities for the year, mainly represented net reduction of interest bearing borrowings during the year.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash amounted to HK$209,889,000 at 31 December 2015, increased by 205.1% as compared to HK$68,789,000 at 31 December 2014. Total interest bearing borrowings of the Group were HK$1,118,119,000 at 31 December 2015, decreased by 13.6% as compared to HK$1,293,837,000 at 31 December 2014.

At 31 December 2015, HK$724,518,000 of bank borrowings were floating-rate borrowings, while HK$341,349,000 of bank borrowings were collared at rate ranging from 2.45% to 5.62% per annum. In respect of the loan from a related company, it bore a fixed interest rate of 6% per annum. The nature and maturing profile of the Group's interest bearing borrowings at 31 December 2015, based on contracted repayment schedules were as follows:

	HK$'000	**% of total interest bearing borrowings**
Due in 2016 or on demand:		
– Trust receipt loans	22,649	2.0
– Short term bank loans	680,249	60.8
– Bank advances for discounted bills	17,905	1.6
– Loan from a related company	52,252	4.7
– Current portion of medium term bank loans	150,000	13.4
	923,055	82.5
Medium term bank loan:		
– Due in 2017	200,000	17.9
	1,123,055	100.4
Unamortised loan arrangement fees	(4,936)	(0.4)
Total	1,118,119	100.0

The Group planned to service the interest bearing borrowings due in year 2016 by cash flow generated from its operations and refinancing from banks.

Debt and liquidity ratios

Gearing ratio (calculated as total interest bearing borrowings less bank balances and cash divided by Shareholders' equity) of the Group lowered from 65.8% at 31 December 2014 to 65.1% at 31 December 2015. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.04 times at 31 December 2015, improved as compared to 0.98 times at 31 December 2014.

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 denominated 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. However, in anticipation of the depreciation of RMB exchange rate since last year, the Group started to increase the proportion of borrowings in RMB during the year to minimize the impact on the depreciation of RMB exchange rate on the Group's results, therefore at 31 December 2015, the percentage of interest bearing borrowings of the Group that are denominated in HKD and USD lowered from 72.5% at 31 December 2014 to 71.5% at 31 December 2015. The respective currency composition of the Group's bank balances and cash and interest bearing borrowings was as follows:

Bank balances and cash

	31 December 2015		31 December 2014	
	HK$'000	**% of total bank balances and cash**	*HK$'000*	% of total bank balances and cash
RMB	**103,137**	**49.1**	31,402	45.6
HKD	**29,354**	**14.0**	4,555	6.6
USD	**67,894**	**32.4**	29,480	42.9
Other currencies	**9,504**	**4.5**	3,352	4.9
Total	**209,889**	**100.0**	68,789	100.0

Interest bearing borrowings

	31 December 2015		31 December 2014	
	HK$'000	**% of total interest bearing borrowings**	*HK$'000*	% of total interest bearing borrowings
RMB	**318,699**	**28.5**	355,861	27.5
HKD	**766,779**	**68.6**	861,185	66.6
USD	**32,641**	**2.9**	76,791	5.9
Total	**1,118,119**	**100.0**	1,293,837	100.0

In respect of exposure to interest rate risk, even though the majority of the interest bearing borrowings at 31 December 2015 are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the results 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 remaining part of the year.

During the year under review, the exchange rate of RMB has depreciated abruptly under the auspicious of financial reform of the currency by the central government of the PRC. The depreciation of RMB exchange rate will have negative impact on the results of the Group on the translation of the Group's interest bearing borrowings that are denominated in HKD and USD, and the Group has not entered into any derivative financial instruments to hedge against foreign currency or interest rate risk. However, we would seek quotations for hedging our foreign currency or RMB exposure in line with the maturities of our non-RMB borrowings from time to time. Furthermore, we will also review and adjust, when necessary, the currency composition of our interest bearing borrowings from time to time to minimize our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Group during the year amounted to HK$2,004,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The Group budgeted to invest of not more than approximately HK$36,803,000 of capital expenditures in 2016, which are to be incurred by Steel cord segment mainly for enhancement of production efficiency of the two manufacturing plants. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

Further, the Steel cord segment will continue to invest in research and development expenses for development of new specifications of steel cord and sawing wire products; and development of new customers, especially international customers. The research and development expenses to be incurred in 2016 are estimated to be maintained at a similar level to the year under review, i.e. approximately 4% of total revenue of Steel cord segment for the year 2016.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2015, the Group had a total of 1,874 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$21,444,000.

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 will remain 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 were granted, exercised and cancelled under the 2002 and 2012 Schemes while 2,000,000 share options lapsed under the 2002 Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities as at 31 December 2015.

At 31 December 2015, 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$12,600,000; and

2. Equity interests in certain subsidiaries of the Company. The Company has completed the pledge release procedures of these equity interests in Hong Kong and the British Virgin Islands in March 2016. The Company is still in the process of releasing the pledge of these equity interests in the PRC.

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 30 June 2015, the Company and Zaozhuang Mining entered into a supplemental memorandum of understanding (the "Supplemental MOU") whereby the parties agreed to, among other things, extend the long stop date to the effect that the formal agreement shall be entered into within 720 days from the date of the memorandum of understanding previously entered into on 13 July 2014 (the "MOU") i.e., by 1 July 2016 (or such other later date as agreed by the parties) because Zaozhuang Mining required more time to complete both its internal approval process and its due diligence process on TESC under the current market condition of steel cord industry. Save and except the amendments under the Supplemental MOU, all the terms and conditions of the MOU remain unchanged and continue in full force and effect.

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. Under the prevailing disarrayed market conditions in steel cord, tires and coal markets, Zaozhuang Mining requires more time to go through its internal approval process and takes time in reviewing the business of TESC. Nonetheless, we will keep on the follow-up of the aforesaid progress.

Details regarding the MOU and the Supplemental MOU can be referred to announcements of the Company dated 13 July 2014 and 30 June 2015.

BUSINESS OUTLOOK

In the coming year, we will see more concrete policies and steps in respect of economic and structural reform promulgated by the Chinese central leadership. Whilst these policies will generate positive effects to the productivity and competitiveness on the Chinese economy in the long haul, in the short run, a slower GDP growth is deemed to be a natural consequence and being targeted at between 6.5% and 7%. We envisage that consolidation in industries with over-capacity including but not limited to radial tyre and steel cord manufacturing will surface gradually. Furthermore, we see punitive measures by the Trade Department of the United States are being levied on the export of Chinese-made radial tyres which on the one hand, detrimental to our customers. On the other, it causes Chinese tyre makers to set up or relocate manufacturing facilities outside of China. The refugee situation and general economic weakness in the European Market is expected to persist. In view of these volatile trade and geo-social hardships, the Group must equip itself in the following areas in order to endure: –

- Maintaining strong operating cashflow and significantly reducing past due trade receivables

- Monitoring fluctuations in the currency and interest rate markets in which the Group is exposed to and engage in financial instruments to mitigate any unduly risks in accordance with the Group's internal control procedures

- Cost reduction will be on-going and tirelessly

- While costs will be strictly controlled, research and development investment will not be spared

- Extending reach to untapped overseas markets with reputable multinational tyre manufacturers

- Production mix will be fine-tuned regularly to meet with the requirements of our tyre customers and with a view to improve upon our profitability by construction types and by customers

With the above measures and strategies, we are confident to overcome the difficulties in the future and remain one of leading market players in the steel cord industry.

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 June 2016 to 29 June 2016, 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 29 June 2016, 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 27 June 2016.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognizes that effective risk management and internal control systems are crucial to the long term development of the Company. Hence, the Board reviews from time to time the effectiveness of the systems of risk management and 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 in order to enhance the effectiveness of the corporate governance practices and the risk management and internal control systems, 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 2015, 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 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

During the year under review, the Company deviated from the code provision D.1.4 of the Code. According to the subscription agreement and further agreement dated 22 September 2006 and 24 February 2015 respectively entered into by the Company and Bekaert, Bekaert nominated Mr. Liao Jun ("Mr. Liao") as a non-executive director of the Company. Mr. Liao does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director, which therefore deviated from the code provision D.1.4 of the Code.

Non-compliance with Rule 3.10(1), 3.10A, 3.21, 3.25 and deviation from the code provision A.5.1 of the Code

Since the late Mr. Chan Chung Chun, an independent non-executive director of the Company, and a member of each of the nomination committee, audit committee, and remuneration committee of the Company, passed away on 8 May 2015 due to illness, the Company failed to comply with the Listing Rules requirements of (i) the board is required to have at least three independent non-executive directors; (ii) the board is required to have independent non-executive directors representing at least one third of the board; (iii) the audit committee must comprise a minimum of three members, all of whom are non-executive directors only; and (iv) each of the members of the audit, remuneration and nomination committees should comprise a majority of independent non-executive directors under rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and the code provision A.5.1 of the Code. Following the appointment of Mr. Lam Yiu Kin as an independent non-executive Director and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 1 August 2015, the Board has then fulfilled the requirements under the aforementioned rules and the code provision.

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 2015 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 would like to thank the Board members and all colleagues of the Group for their loyalty and diligence especially during this extremely competitive and challenging business conditions and our stakeholders for their continuing patience and support to the Group.

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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) 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)"	holder(s) of the Shares
"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
"USD/US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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

Hong Kong, 23 March 2016

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

Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Su Fanrong (Executive Deputy Managing Director), Mr. Leung Shun Sang, Tony (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. Lam Yiu Kin (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 Annual Report 2015 will be despatched to Shareholders and made available on the above websites in due course.

* *For identification purpose only*