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首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Consolidated revenue was HK\$7,273 million, down 43.0% from last year.
- Loss attributable to shareholders was HK\$3,349 million.
- Loss per share was 37.39 HK cents.

The board of directors (the “Board”) of Shougang Concord International Enterprises Company Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 with comparative figures for the year ended 31 December 2014. These final results have been reviewed by the Audit Committee of the Company.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	NOTES	For the year ended 31 December	
		2015 HK\$'000	2014 HK\$'000
Revenue	4	7,272,695	12,756,187
Cost of sales		<u>(8,407,637)</u>	<u>(13,261,124)</u>
Gross loss		(1,134,942)	(504,937)
Other income	5	63,601	94,931
Other gains and losses	6	(74,179)	(351)
Change in fair value of derivative financial instruments		(219,863)	(22,943)
Distribution and selling expenses		(122,811)	(113,520)
Administrative expenses		(532,090)	(486,452)
Finance costs	7	(647,453)	(773,125)
Impairment loss on interest in an associate	12	(951,681)	–
Share of results of associates		<u>(274,529)</u>	<u>(236,043)</u>
Loss before taxation		(3,893,947)	(2,042,440)
Income tax credit	8	<u>4,308</u>	<u>4,068</u>
Loss for the year	9	<u>(3,889,639)</u>	<u>(2,038,372)</u>
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		203,496	33,707
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		(73,968)	(58,447)
Share of exchange differences of an associate arising on translation to presentation currency		(38,106)	(2,573)
Share of fair value losses on investment in equity instruments designated as at fair value through other comprehensive income of an associate		(35,737)	(253,289)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		<u>(165,127)</u>	<u>(52,902)</u>
Other comprehensive expense for the year		<u>(109,442)</u>	<u>(333,504)</u>
Total comprehensive expense for the year		<u><u>(3,999,081)</u></u>	<u><u>(2,371,876)</u></u>

		For the year ended	
		31 December	
		2015	2014
	<i>NOTES</i>	HK\$'000	HK\$'000
Loss for the year attributable to owners of the Company		(3,349,310)	(1,640,708)
Loss for the year attributable to non-controlling interests		(540,329)	(397,664)
		<u>(3,889,639)</u>	<u>(2,038,372)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(3,489,490)	(1,976,610)
Non-controlling interests		(509,591)	(395,266)
		<u>(3,999,081)</u>	<u>(2,371,876)</u>
Loss per share	<i>11</i>		
– Basic		<u>(37.39) HK cents</u>	<u>(18.32) HK cents</u>
– Diluted		<u>(37.39) HK cents</u>	<u>(18.32) HK cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	<i>NOTES</i>	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Investment properties		38,818	38,953
Property, plant and equipment		9,239,351	10,494,421
Prepaid lease rentals		292,754	310,705
Interests in associates	<i>12</i>	5,353,944	7,098,764
Equity investments	<i>13</i>	56,199	136,212
Deferred tax assets		32,582	36,635
Other financial assets		312,852	532,715
Deposits for acquisition of property, plant and equipment		15,665	14,944
Pledged bank deposits		191,428	57,397
		15,533,593	18,720,746
CURRENT ASSETS			
Inventories		1,531,574	2,408,300
Trade and bills receivables	<i>14</i>	2,005,306	1,615,640
Trade receivables from related companies	<i>15</i>	126,205	136,021
Trade receivables from ultimate holding company of a shareholder	<i>16</i>	1,313	1,226
Prepayments, deposits and other receivables		399,431	746,944
Prepaid lease rentals		7,531	7,787
Amounts due from related companies	<i>15</i>	212,946	60,869
Amount due from an associate		7,372	5,288
Amount due from a non-controlling shareholder of a subsidiary		–	3,803
Amount due from ultimate holding company of a shareholder	<i>16</i>	–	2,235
Restricted bank deposits		832,566	1,242,333
Pledged bank deposits		85,062	64,226
Bank balances and cash		519,474	872,250
		5,728,780	7,166,922

	<i>NOTES</i>	2015 HK\$'000	2014 HK\$'000
CURRENT LIABILITIES			
Trade and bills payables	<i>17</i>	3,464,157	4,139,378
Trade payables to related companies	<i>15</i>	652,676	374,330
Trade payables to ultimate holding company of a shareholder	<i>16</i>	7,074,234	6,587,884
Other payables, provision and accrued liabilities		1,175,267	1,076,322
Tax payable		144,669	162,719
Amounts due to related companies	<i>15</i>	263,378	256,638
Amount due to ultimate holding company of a shareholder	<i>16</i>	2,137	1,692
Bank borrowings – due within one year		5,986,616	7,212,409
Loans from ultimate holding company of a shareholder – due within one year		1,013,135	873,453
		<u>19,776,269</u>	<u>20,684,825</u>
NET CURRENT LIABILITIES		<u>(14,047,489)</u>	<u>(13,517,903)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,486,104</u>	<u>5,202,843</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		818,938	925,144
Deferred tax liabilities		29,318	34,299
Loans from ultimate holding company of a shareholder – due after one year		417,910	–
		<u>1,266,166</u>	<u>959,443</u>
		<u>219,938</u>	<u>4,243,400</u>
CAPITAL AND RESERVES			
Share capital	<i>18</i>	5,345,183	5,345,183
Reserves		(4,008,871)	(519,381)
Equity attributable to owners of the Company		1,336,312	4,825,802
Non-controlling interests		(1,116,374)	(582,402)
		<u>219,938</u>	<u>4,243,400</u>

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s major shareholder is Shougang Holding (Hong Kong) Limited (“Shougang HK”), which together with its subsidiaries, held approximately 48% equity interest of the Company as at 31 December 2015, and the ultimate and immediate holding company of Shougang HK is Shougang Corporation, a company established in the People’s Republic of China (the “PRC”). Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Company and its subsidiaries (collectively referred to as the “Group”), will hereinafter be referred to as the “Shougang Group”. The addresses of the registered office and principal place of business of the Company are 7th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company’s principal subsidiaries and associates are set out in the consolidated financial statements.

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. As the Company was incorporated in Hong Kong, the financial statements are presented in Hong Kong dollars.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK\$14,047,489,000 as at 31 December 2015 and incurred loss of approximately HK\$3,889,639,000 during the year ended 31 December 2015. Taking into account the financial resources of the Group, including the Group’s unutilised banking facilities of approximately HK\$1,384,239,000, the Group’s ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate and immediate holding company of the major shareholder of the Company, Shougang Corporation, the directors of the Company (“Directors”) are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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 Hong Kong Companies Ordinance 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 Hong Kong Companies Ordinance 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 Hong Kong Companies Ordinance.

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

Application of new and revised HKFRSs

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 new and revised 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 14	Regulatory Deferral Accounts ⁴
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 ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle 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

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

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

HKFRS 9 Financial instrument

The Group had early adopted HKFRS 9 as amended in 2010 in 2012. A 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.

In terms of the amendments, debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI.

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 Directors do not anticipate that the application of HKFRS 9 will have any effect on the Group’s consolidated financial statements.

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

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

Other than set out above, the Directors do not anticipate that the application of other new and revised HKFRSs will have a material effect on the Group’s consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue arising from sales of steel products, sales of iron ore, sales of coal and coke and management services income during the year is as follows:

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Sale of steel products	6,844,690	10,367,496
Sale of iron ore	424,189	2,384,005
Sale of coal and coke	–	216
Management services income	3,816	4,398
Others	–	72
	<u>7,272,695</u>	<u>12,756,187</u>

Segment information

Information reported to the Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

Steel manufacturing	– manufacture and sale of steel products;
Commodity trading	– trading of steel products, iron ore, coal and coke;
Mineral exploration and processing	– mining, processing and sale of iron ore; and
Others	– management services business and floating cranes leasing income.

Segment revenue and results

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

For the year ended 31 December 2015

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	6,844,690	412,305	11,884	3,816	7,272,695
Inter-segment sales	281	85,006	227,265	–	312,552
Segment revenue	<u>6,844,971</u>	<u>497,311</u>	<u>239,149</u>	<u>3,816</u>	7,585,247
Eliminations					<u>(312,552)</u>
Group revenue					<u>7,272,695</u>
Segment (loss) profit	<u>(1,637,801)</u>	<u>(174,744)</u>	<u>(227,677)</u>	<u>7,521</u>	(2,032,701)
Interest income					42,480
Central administration costs					(30,063)
Finance costs					(647,453)
Impairment loss on interest in an associate					(951,681)
Share of results of associates					<u>(274,529)</u>
Loss before taxation					<u>(3,893,947)</u>

Inter-segment sales are charged at prevailing market rates.

For the year ended 31 December 2014

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	10,073,100	1,902,317	776,300	4,470	12,756,187
Inter-segment sales	<u>65,817</u>	<u>90,275</u>	<u>656,731</u>	<u>–</u>	<u>812,823</u>
Segment revenue	<u><u>10,138,917</u></u>	<u><u>1,992,592</u></u>	<u><u>1,433,031</u></u>	<u><u>4,470</u></u>	13,569,010
Eliminations					<u>(812,823)</u>
Group revenue					<u><u>12,756,187</u></u>
Segment loss	<u><u>(867,040)</u></u>	<u><u>(57,323)</u></u>	<u><u>(140,803)</u></u>	<u><u>(5,976)</u></u>	(1,071,142)
Interest income					59,767
Central administration costs					(23,552)
Finance costs					(773,125)
Gain from change in fair value of derivative financial instruments					1,660
Loss on disposal of subsidiaries					(5)
Share of results of associates					<u>(236,043)</u>
Loss before taxation					<u><u>(2,042,440)</u></u>

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain from change in fair value of interest rate swap contracts, loss on disposal of subsidiaries, impairment loss on interest in an associate and share of results of associates. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2015 HK\$'000	2014 HK\$'000
Segment assets		
Steel manufacturing	12,111,967	14,043,302
Commodity trading	426,452	598,375
Mineral exploration and processing	1,434,503	1,669,385
Others	5,250	5,685
	<u>13,978,172</u>	<u>16,316,747</u>
Total segment assets	13,978,172	16,316,747
Interests in associates	5,353,944	7,098,764
Equity investments	56,199	136,212
Deferred tax assets	32,582	36,635
Amounts due from related companies – non-trade	212,946	60,869
Amount due from ultimate holding company of a shareholder – non-trade	–	2,235
Restricted bank deposits	832,566	1,242,333
Pledged bank deposits	276,490	121,623
Bank balances and cash	519,474	872,250
	<u>21,262,373</u>	<u>25,887,668</u>
Consolidated assets	<u>21,262,373</u>	<u>25,887,668</u>
	2015 HK\$'000	2014 HK\$'000
Segment liabilities		
Steel manufacturing	11,805,882	11,252,490
Commodity trading	45,478	71,264
Mineral exploration and processing	511,277	849,988
Others	3,697	4,172
	<u>12,366,334</u>	<u>12,177,914</u>
Total segment liabilities	12,366,334	12,177,914
Amounts due to related companies - non-trade	263,378	256,638
Amount due to ultimate holding company of a shareholder – non-trade	2,137	1,692
Bank borrowings	6,805,554	8,137,553
Tax payable	144,669	162,719
Deferred tax liabilities	29,318	34,299
Loans from ultimate holding company of a shareholder	1,431,045	873,453
	<u>21,042,435</u>	<u>21,644,268</u>
Consolidated liabilities	<u>21,042,435</u>	<u>21,644,268</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than the items disclosed above.
- all liabilities are allocated to operating segments other than the items disclosed above.

Other segment information

2015

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (<i>Note</i>)	109,943	–	1,162	46	111,151
Depreciation of property, plant and equipment	843,446	138	73,809	242	917,635
Amortisation of prepaid lease rentals	7,244	–	471	–	7,715
Loss on disposal of property, plant and equipment	86	–	–	–	86
Research and development cost recognised as expenses	9,973	–	–	–	9,973
Allowance (reversal of impairment loss) for trade and other receivables and trade receivables from related companies, net	1,246	(27)	70,989	–	72,208
Allowance for inventories	396,519	–	–	–	396,519
Change in fair value of investment properties	(107)	–	–	–	(107)
Change in fair value of commodity forward contracts	–	219,863	–	–	219,863
	<u>–</u>	<u>219,863</u>	<u>–</u>	<u>–</u>	<u>219,863</u>

2014

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (<i>Note</i>)	217,498	–	1,504	21	219,023
Depreciation of property, plant and equipment	873,346	44	44,265	559	918,214
Amortisation of prepaid lease rentals	7,347	–	481	–	7,828
Loss (gain) on disposal of property, plant and equipment	180	–	–	(1,429)	(1,249)
Research and development cost recognised as expenses	4,034	–	–	–	4,034
Allowance (reversal of impairment loss) for trade and other receivables and trade receivables from related companies, net	5,453	(15)	291	2,558	8,287
Allowance for inventories	129,261	–	74,712	–	203,973
Fair value of commodity forward contracts upon delivery	–	116,565	–	–	116,565
Change in fair value of investment properties	862	(300)	–	–	562
Change in fair value of commodity forward contracts	–	24,603	–	–	24,603
	<u>–</u>	<u>24,603</u>	<u>–</u>	<u>–</u>	<u>24,603</u>

Note: Non-current assets excluded equity investments, pledged bank deposits and deferred tax assets.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Steel plates	6,567,180	9,940,508
Iron ore	424,189	2,384,005
Coal and coke	–	216
Steel slabs	277,510	426,988
Management services	3,816	4,398
Others	–	72
	<u>7,272,695</u>	<u>12,756,187</u>

Geographical information

The Group operates in three principal geographical areas - the PRC, excluding Hong Kong (country of domicile), Australia and Hong Kong.

The Group's revenue from external customers by geographical location at which the goods were delivered and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from		Non-current assets (Note)	
	external customers			
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC, excluding Hong Kong (country of domicile)	6,385,699	10,843,991	9,612,316	10,889,859
Hong Kong	20,421	4,614	5,328,216	7,067,928
Australia	412,305	1,678,701	–	–
Others	454,270	228,881	–	–
	<u>7,272,695</u>	<u>12,756,187</u>	<u>14,940,532</u>	<u>17,957,787</u>

Note: Non-current assets excluded other financial assets, equity investments, pledged bank deposits and deferred tax assets.

Information about major customers

During the year ended 31 December 2015, the customer which accounted for 10% or more of the Group's revenue is Shougang Group. Sales to Shougang Group under the segments of steel manufacturing, mineral exploration and processing and others contributed HK\$804,955,000 to the Group's revenue.

During the year ended 31 December 2014, the customers which accounted for 10% or more of the Group's revenue are Shougang Group and another customer. Sales to Shougang Group under the segments of steel manufacturing, commodity trading, mineral exploration and processing and others contributed HK\$1,628,276,000 to the Group's revenue. Sales to the other customer under the segment of steel manufacturing contributed HK\$1,832,440,000 to the Group's revenue.

5. OTHER INCOME

	For the year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Interest income on bank deposits	42,480	59,767
Scrap sales income	726	7,602
Compensation income	2,981	9,940
Sundry income	17,414	17,622
	<u>63,601</u>	<u>94,931</u>

6. OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
(Loss) gain on disposal of property, plant and equipment	(86)	1,249
Net foreign exchange (loss) gain	(1,992)	7,254
Gain (loss) from changes in fair value of investment properties	107	(562)
Allowance for trade and other receivables and trade receivables from related companies, net	(72,208)	(8,287)
Loss on disposal of subsidiaries (<i>Note 19</i>)	–	(5)
	<u>(74,179)</u>	<u>(351)</u>

7. FINANCE COSTS

	For the year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings	409,034	526,132
Other borrowings	66,908	54,157
	<u>475,942</u>	<u>580,289</u>
Total borrowing costs	475,942	580,289
Add: Factoring cost for discounted receivables	171,511	214,652
Less: Amounts capitalised	–	(21,816)
	<u>647,453</u>	<u>773,125</u>

During the year ended 31 December 2014, borrowing costs capitalised arose from the general borrowing pool and were calculated by applying a capitalisation rate of 5.74% per annum to expenditure on qualifying assets.

8. INCOME TAX CREDIT

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Current tax:		
– PRC Enterprise Income Tax	<u>174</u>	<u>513</u>
Over-provision in prior years:		
– Hong Kong	–	(130)
– PRC Enterprise Income Tax	<u>–</u>	<u>(1)</u>
	<u>–</u>	<u>(131)</u>
Deferred tax:		
Current year	<u>(4,482)</u>	<u>(4,450)</u>
Income tax credit	<u>(4,308)</u>	<u>(4,068)</u>

No provision for Hong Kong Profits Tax had been made in the consolidated financial statements as the Group had no Hong Kong assessable profit for 2015 and 2014.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

9. LOSS FOR THE YEAR

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	506,315	486,282
– retirement benefits scheme contributions	68,928	52,778
– equity-settled share-based payment	–	626
	575,243	539,686
Amortisation of prepaid lease rentals	7,715	7,828
Depreciation of property, plant and equipment	917,635	918,214
Total depreciation and amortisation	925,350	926,042
Change in fair value of derivative financial instruments		
– change in fair value of interest rate swap contracts	–	(1,660)
– change in fair value of commodity forward contracts	219,863	24,603
	219,863	22,943
Auditor's remuneration	3,164	3,184
Cost of inventories recognised as expenses (including allowance for inventories and fair value of commodity forward contracts upon delivery)	8,341,637	13,259,766
Fair value of commodity forward contracts upon delivery, included in cost of sales	–	116,565
Allowance for inventories, net, included in cost of sales	396,519	203,973
Research and development cost recognised as expenses	9,973	4,034
Minimum lease payments under operating leases in respect of land and buildings	3,730	3,821
Service and management fees charged by Shougang Group (included in related parties transactions)	120,482	130,406
Rental income from investment properties under operating leases	(1,729)	(1,516)

10. DIVIDENDS

The Board of Directors did not declare dividend for the years ended 31 December 2015 and 2014.

11. LOSS PER SHARE

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

	For the year ended 31 December	
	2015	2014
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	<u>(3,349,310)</u>	<u>(1,640,708)</u>
	For the year ended 31 December	
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>8,957,896,227</u>	<u>8,957,896,227</u>

For the years ended 31 December 2015 and 31 December 2014, the computation of diluted loss per share does not assume the exercise of share option, as it would result in a decrease in loss per share.

12. INTERESTS IN ASSOCIATES

	2015	2014
	HK\$'000	HK\$'000
Cost of investment in associates		
Listed in Hong Kong	6,834,092	6,834,092
Unlisted	20,448	20,448
Share of post-acquisition (losses)/profits and other comprehensive (expenses) income, net of dividends received	<u>(184,702)</u>	<u>608,437</u>
	6,669,838	7,462,977
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments (<i>Note</i>)	<u>(364,213)</u>	<u>(364,213)</u>
Impairment loss	<u>(951,681)</u>	<u>–</u>
	<u>5,353,944</u>	<u>7,098,764</u>

Note: The amount represents unrealised gain on disposal of available-for-sale investments to the Group's associate, Shougang Fushan Resources Group Limited ("Shougang Resources"), which is determined by the equity interest of Shougang Resources held by the Group upon completion of the disposal of available-for-sale investments to the associate in 2009.

During the year ended 31 December 2012, Shougang Resources early adopted HKFRS 9. As at 31 December 2015 and 2014, such investments are continuously held by Shougang Resources and classified as financial assets at FVTOCI.

Such unrealised gain will be reversed upon the loss of significant influence over Shougang Resources or disposal of such investments by Shougang Resources.

Included in the cost of investment in associates is goodwill of approximately HK\$1,305,488,000 (2014: HK\$2,257,169,000). The movement of goodwill is set out below:

Goodwill

	HK\$'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>2,257,169</u>
IMPAIRMENT	
At 1 January 2015	–
Impairment loss recognised in the year	<u>951,681</u>
At 31 December 2015	<u>951,681</u>
CARRYING VALUES	
At 31 December 2015	<u><u>1,305,488</u></u>
At 31 December 2014	<u><u>2,257,169</u></u>

A total impairment loss of HK\$951,681,000 has been recognised for the year ended 31 December 2015 (for the year ended 31 December 2014: nil) in respect of interest in Shougang Resources. The recoverable amount of the interest in Shougang Resources has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections of the associate based on the financial budgets attributable to the equity interest of the Group approved by management covering a 5-year period and using a discount rate of 12.76% (for the year ended 31 December 2014: 14.08%), and the cash flows beyond 5 years are extrapolated using a zero growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the associate's past performance and management's expectations for the market development.

During year ended 31 December 2015, the estimated cash flows of the cash-generating unit ("CGU") was revised due to the slowdown of economy in the PRC. The coal price kept decreasing during the year, thus adversely affecting the gross margin of Shougang Resources. As the re-estimation of the recoverable amount of the CGU is less than the carrying amount (before impairment) of the interest in Shougang Resources and an impairment loss of HK\$951,681,000 on interest in Shougang Resources is recognised for the year ended 31 December 2015.

13. EQUITY INVESTMENTS

Equity investments comprise:

	2015	2014
	HK\$'000	HK\$'000
Listed investments:		
– Equity securities listed in Australia, at fair value	790	2,310
Unlisted investments:		
– PRC equity securities, at fair value	55,409	133,902
Total	56,199	136,212

14. TRADE AND BILLS RECEIVABLES

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The credit term of trade receivables are normally not more than 60 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	HK\$'000	HK\$'000
Within 60 days	1,473,375	1,254,488
61 – 90 days	148,094	75,471
91 – 180 days	149,918	101,265
181 – 365 days	233,919	184,416
	2,005,306	1,615,640

The following were the bills receivables as at 31 December 2015 and 2014 that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables and has recognised the cash received from the banks as secured borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31 December 2015

	Bills receivables discounted to banks with full recourse HK\$'000	Bills receivables endorsed to suppliers with full recourse HK\$'000	Total HK\$'000
Carrying amount of bills receivables	195,400	402,172	597,572
Carrying amount of borrowings and trade payables	<u>(195,400)</u>	<u>(402,172)</u>	<u>(597,572)</u>

As at 31 December 2014

	Bills receivables discounted to banks with full recourse HK\$'000	Bills receivables endorsed to suppliers with full recourse HK\$'000	Total HK\$'000
Carrying amount of bills receivables	162,359	242,321	404,680
Carrying amount of borrowings and trade payables	<u>(162,359)</u>	<u>(242,321)</u>	<u>(404,680)</u>

15. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES

The amounts due from (to) related companies represent amounts due from (to) the members of the Shougang Group. The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days.

The trade receivables from related companies and an aged analysis of such balances net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2015 HK\$'000	2014 HK\$'000
Within 60 days	45,325	132,894
61 – 90 days	75,728	–
91 – 180 days	3,072	1,133
181 – 365 days	176	–
1 – 2 years	<u>1,904</u>	<u>1,994</u>
	<u>126,205</u>	<u>136,021</u>

The Group allows a range of credit period normally not more than 60 days for sales to its related companies.

The trade payables to related companies and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 90 days	506,913	118,891
91 – 180 days	61,075	45,532
181 – 365 days	41,537	61,815
1 – 2 years	34,796	98,862
Over 2 years	8,355	49,230
	<u>652,676</u>	<u>374,330</u>

The amount due from (to) related companies are unsecured, interest-free and repayable on demand as at 31 December 2015 and 2014.

16. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

As at 31 December 2015 and 2014, the amount due from ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

The trade receivables from/trade payables to the ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days. The amount due to ultimate holding company of a shareholder is non-trade in nature, unsecured, interest free and are repayable on demand.

The trade receivables from ultimate holding company of a shareholder are all aged between 181-365 days based on the invoice date at the end of the reporting period (2014: all aged within 60 days), which approximated the respective revenue recognition dates.

The trade payables to ultimate holding company of a shareholder and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 90 days	750,302	1,239,262
91 – 180 days	516,119	1,973,195
181 – 365 days	1,424,568	2,574,254
1 – 2 years	4,383,245	801,173
	<u>7,074,234</u>	<u>6,587,884</u>

17. TRADE AND BILLS PAYABLES

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

	2015	2014
	HK\$'000	HK\$'000
Within 90 days	1,578,493	2,372,482
91 – 180 days	1,505,800	1,414,865
181 – 365 days	130,597	156,028
1 – 2 years	166,137	146,615
Over 2 years	83,130	49,388
	<u>3,464,157</u>	<u>4,139,378</u>

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that most of the payables are within the credit timeframe.

The results of Keylevel and Shoukang for the period ended on date of disposal were as follows:

	1 January 2014 to 13 June 2014 HK\$'000
Revenue	55,436
Cost of sales	(54,757)
Other income	2,278
Distribution and selling expenses	(160)
Administrative expenses	<u>(2,853)</u>
Loss before tax	(56)
Income tax credit	<u>1</u>
Loss for the period	<u><u>(55)</u></u>
	At 13 June 2014 HK\$'000
The net assets at the date of disposal were as follows:	
Property, plant and equipment	117
Amounts due from related companies	36
Prepayments, deposits and other receivables	968
Tax recoverable	188
Bank balances and cash	66,717
Amounts due to related companies	(358)
Other payables, provision and accrued liabilities	<u>(1,651)</u>
Net assets disposed of	<u>66,017</u>
Loss on disposal of subsidiaries:	
Consideration received	66,012
Net assets disposed of	<u>(66,017)</u>
Loss on disposal	<u>(5)</u>
Consideration satisfied by:	
Cash	<u><u>66,012</u></u>
Net cash outflow arising on disposal:	
Cash consideration received	66,012
Less: Bank balances and cash disposed of	<u>(66,717)</u>
	<u><u>(705)</u></u>

An amount of statutory reserve fund of approximately HK\$1,424,000 which represented the appropriation from the profit after tax under the applicable laws and regulations in the PRC and an amount of cumulative exchange reserve of approximately HK\$5,329,000 were transferred directly to accumulated losses upon disposal of Shoukang in 2014.

20. SUBSEQUENT EVENT

On 23 March 2016, the Company received a non-legally binding letter of intent from Shougang Corporation to acquire the 100% shareholding in Qinhuangdao Shougang Plate Mill Co., Ltd. and 76% shareholding in Qinhuangdao Shouqin Metal Materials Co., Ltd. (including the interests in their respective subsidiaries) held by three subsidiaries of the Company namely Shine Tone Group Limited, Froxy Investments Limited and Host Sun Investments Limited, at a consideration of not less than HK\$1. Shougang Corporation is now proceeding with the early stage procedures and expects to go through the procedures within the year of 2016. It will negotiate with the Company to fix the details of the transaction after completion of the relevant procedures.

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 and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 June 2016 to Wednesday, 29 June 2016 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Wednesday, 29 June 2016 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms 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 not later than 4:30 p.m. on Friday, 24 June 2016 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Our operations are mainly segregated into three segments, namely, steel manufacturing, mineral exploration and commodity trading. Our principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei province, PRC. In addition, we own a deep processing centre on steel products to extend our business to the downstream value chain. Our mineral exploration segment mainly includes the holding of approximately 27.61% equity stake of Shougang Fushan Resources Group Limited (“Shougang Resources”), a Hong Kong-listed hard coking coal producer in China. On commodity trading, we have long-term iron ore offtake agreements with an Australia-listed iron ore producer Mount Gibson Iron Limited (“Mt. Gibson”). Mt. Gibson will supply iron ore to the Group in a long term basis so as to stabilise our upstream supply chain. Our vertical integration strategy with different upstream, mid-stream and downstream activities is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

	For the year ended	
	31 December	
	2015	2014
	HK\$ Million	HK\$ Million
Loss attributable to shareholders		
before share of results of associates	(3,074)	(1,405)
Share of results of associates	(275)	(236)
	<u>(3,349)</u>	<u>(1,641)</u>
Loss attributable to shareholders	<u>(3,349)</u>	<u>(1,641)</u>

The market of the Group’s core business in steel manufacturing was still weak in 2015. Excessive production capacity and imbalance between supply and demand were still the key issues within the industry which could not be resolved in the near term. The steel price was persistently weak under these circumstances. Affected by the continual drop in coking coal price, the operating profit of our principal associate, Shougang Resources which engages in coking coal mining and sales was also further reduced. In addition, Shougang Resources also made further impairment loss on its investment in coal mines related assets. The Company was also required to make impairment loss on the goodwill in relation to the investment in Shougang Resources in the amount of HK\$952 million during the year.

For the year ended 31 December 2015, loss attributable to shareholders amounted to HK\$3,349 million, the loss was increased by 104.1% comparing with that of last year. The Group recorded a consolidated turnover of HK\$7,273 million during this year, representing a drop of 43.0% comparing to that of last year. Loss per share was 37.39 HK cents.

FINANCIAL REVIEW

Year ended 31 December 2015 compared to the year ended 31 December 2014.

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK\$7,273 million for this year, lower by about 43.0% when comparing to the HK\$12,756 million last year. Lower turnover mainly due to the 25.5% drop in the overall average selling price (“ASP”) in the steel manufacturing segment as affected by the persistently weak demand. In addition, the sales volume of the commodity trading segment dropped significantly following the suspension of the Koolan Island mine of Mt. Gibson due to the occurrence of seawall slump and flooding in late 2014.

Cost of sales for the period was HK\$8,408 million, comparing to HK\$13,261 million in last year, a drop of 36.6%. The cost of sales decreased because of the substantial downsize in commodity trading business and the decline in purchasing cost of raw materials for steel manufacturing.

Gross loss for the year was HK\$1,135 million, representing 15.6% of the turnover, while the gross loss ratio was 4.0% in last year.

E/(L)BITDA and Core Operating Loss

For the year under review, loss before interest, tax, depreciation, amortization, impairment loss and change in fair value of financial derivative of the Group was HK\$960 million, whereas for the last year, the earnings before interest, tax, depreciation, amortization, impairment loss and change in fair value of financial derivative was HK\$76 million.

Loss after tax but before share of results of associates included significant non-cash and/or non-recurring charges and are reconciled below:

	For the year ended	
	31 December	
	2015	2014
	HK\$ Million	HK\$ Million
Loss attributable to shareholders		
before share of results of associates	(3,074)	(1,405)
Adjusted by:		
Impairment loss on the goodwill in relation to		
the investment in Shougang Resources	952	–
Fair value loss on iron ore offtake agreements with		
Mt. Gibson	220	141
Employee share option expenses	–	1
	<u> </u>	<u> </u>
Core operating loss before share of results of associates	<u>(1,902)</u>	<u>(1,263)</u>

Finance costs

For the year under review, finance costs amounted to HK\$647 million, 16.3% lower than that of last year. The decrease in finance costs was mainly due to the decrease in the overall loan amounts of the Group.

Share of results of associates

In this year, we have recognized loss of HK\$139 million and HK\$135 million from Shougang Resources and Shougang Concord Century Holdings Limited (“Shougang Century”) respectively, whereas for the last year, the share of loss from Shougang Resources and Shougang Century were HK\$143 million and HK\$99 million respectively.

Taxation

In this year, the net tax income was HK\$4 million, same as the amount in last year.

REVIEW OF OPERATIONS

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

Operation/Entity	Attributable interest	For the year ended	
		31 December 2015 HK\$ Million	2014 HK\$ Million
1. Steel manufacturing			
Shouqin ¹	76%	(1,525)	(1,060)
Qinhuangdao Plate Mill ²	100%	(210)	(69)
Sub-total		(1,735)	(1,129)
2. Mineral exploration			
Shougang Resources (before impairment loss)	27.61%	3	84
Shouqin Longhui	67.84%	(170)	(153)
Sub-total		(167)	(69)
3. Commodity trading			
The Trading Group	100%	48	86
Sub-total		48	86
4. Others			
Shougang Century	35.71%	(135)	(99)
Fair value loss on iron ore offtake agreements with Mt. Gibson	–	(220)	(141)
Share of impairment loss made by Shougang Resources	–	(142)	(227)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	(952)	–
Corporate and others	–	(46)	(62)
Sub-total		(1,495)	(529)
Total		(3,349)	(1,641)

¹ Included the Group and Shouqin's share of results in its subsidiary, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. ("Processing Centre").

² Included Qinhuangdao Plate Mill's share of results in its subsidiaries other than Shouqin Longhui. The results of Shouqin Longhui is included in the mineral exploration segment.

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. (“Shouqin”) and Qinhuangdao Shougang Plate Mill Co., Ltd. (“Qinhuangdao Plate Mill”). The steel industry still faces a dire operating environment. This core segment recorded net loss of HK\$1,735 million during the year, while that of last year was net loss of HK\$1,129 million. Summary of production and sales volume of the two manufacturing plants in the current and last year under this segment is as follows:

For the year ended 31 December	Slabs		Heavy Plates	
	2015 '000 tonnes	2014 '000 tonnes	2015 '000 tonnes	2014 '000 tonnes
(i) Production				
Shouqin	2,386	2,416	1,616	1,644
Qinhuangdao Plate Mill	<u>–</u>	<u>–</u>	<u>432</u>	<u>530</u>
Total	<u>2,386</u>	<u>2,416</u>	<u>2,048</u>	<u>2,174</u>
Change	-1%		-6%	
(ii) Sales				
Shouqin [#]	574	594	1,620	1,655
Qinhuangdao Plate Mill	<u>–</u>	<u>–</u>	<u>431</u>	<u>532</u>
Total	<u>574</u>	<u>594</u>	<u>2,051</u>	<u>2,187</u>
Change	-3%		-6%	

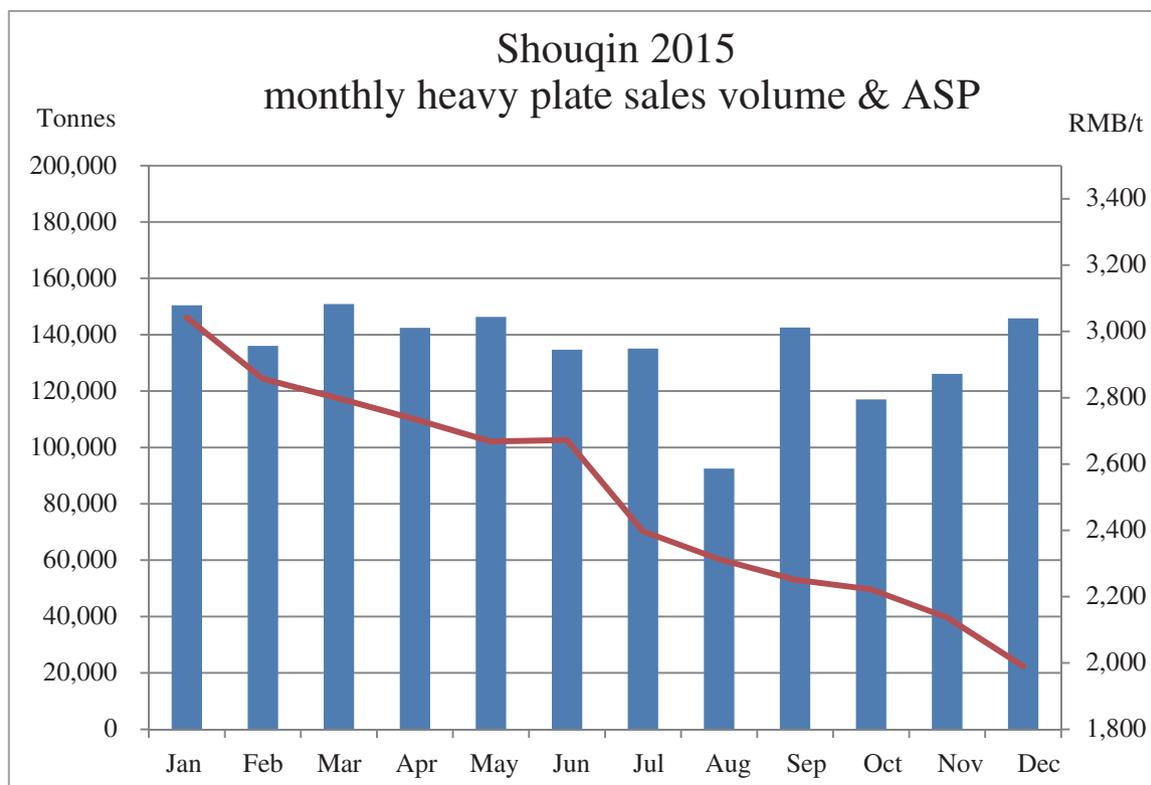
[#] *Difference between production and sales of slabs was mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales were mainly made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation.*

Shouqin

The Group holds an effective interest of 76% in Shouqin, the remaining 20% and 4% were held by Hyundai Heavy Industries Limited and Shougang Corporation respectively.

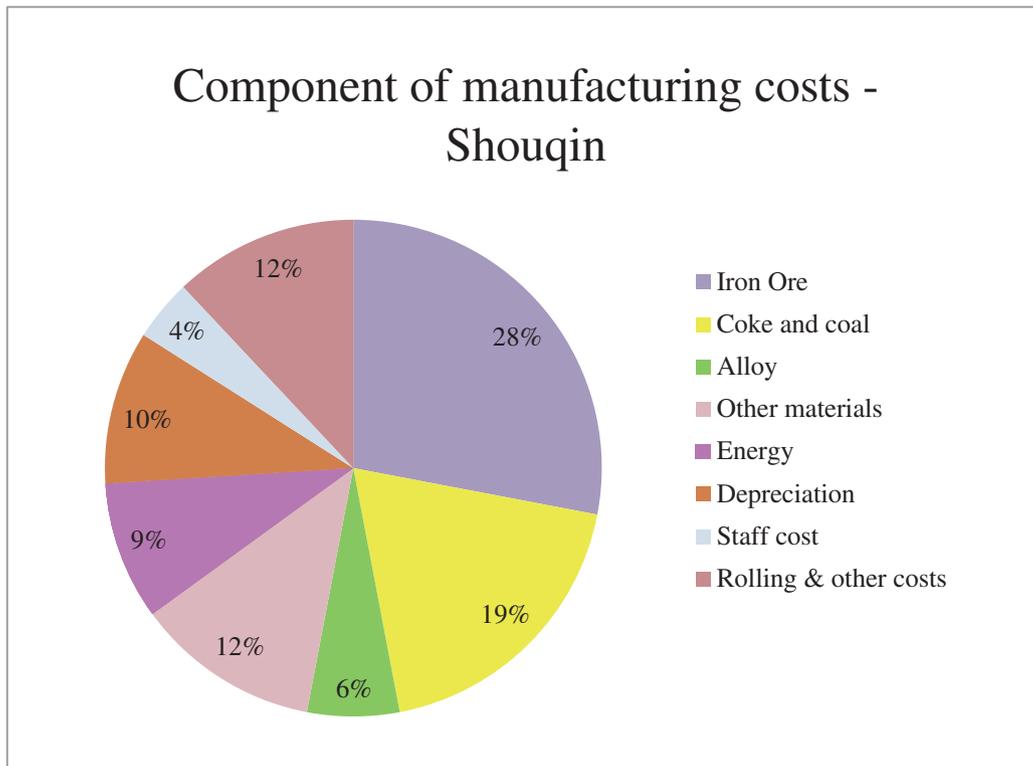
Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production. It has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates are among the most advanced in the PRC. Its annual production capacities of heavy plate have reached 1.8 million tonnes. For the current year, Shouqin reported a turnover of HK\$6,332 million before elimination, recording a 30.4% drop on the comparative year. The drop was mainly due to decrease in ASP of heavy plates and slabs. The ASP (exclude VAT) of heavy plate was RMB2,523 (HK\$3,108) per tonne, 25.2% lower than that of the last year. Production of slab was mainly used for Shouqin's internal consumption to produce heavy plates while some sales were made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation. The ASP (exclude VAT) of slab was RMB1,760 (HK\$2,168) per tonne, 31.1% lower than that of last year.

	2015	2014	Change
Quantities sold – heavy plate (tonnes)	1,620,000	1,655,000	-2.1%
ASP (RMB)	2,523	3,373	-25.2%



In the above chart, the bar represents sales volume while the line represents ASP.

Component of manufacturing costs - Shouqin



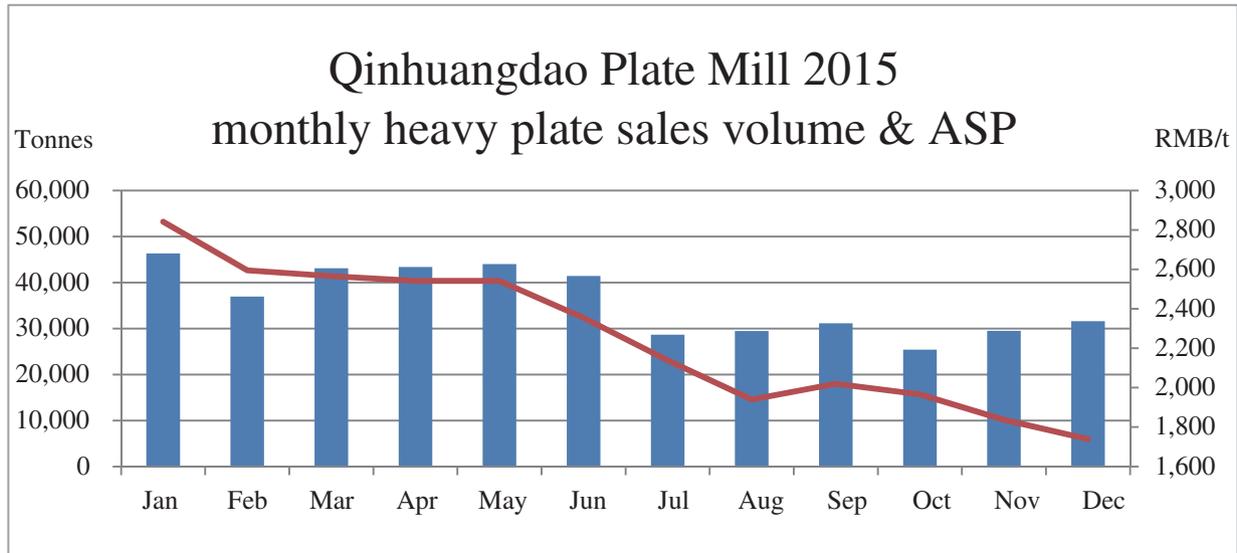
Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. In this year, this entity recorded HK\$488 million in turnover, which is 49.1% decrease compared with that of last year.

For the year ended 31 December 2015, the aggregate net loss of Shouqin and Processing Centre attributable to the Group was HK\$1,525 million. The loss increased by HK\$465 million comparing to the net loss of HK\$1,060 million in last year due to the drop in ASP.

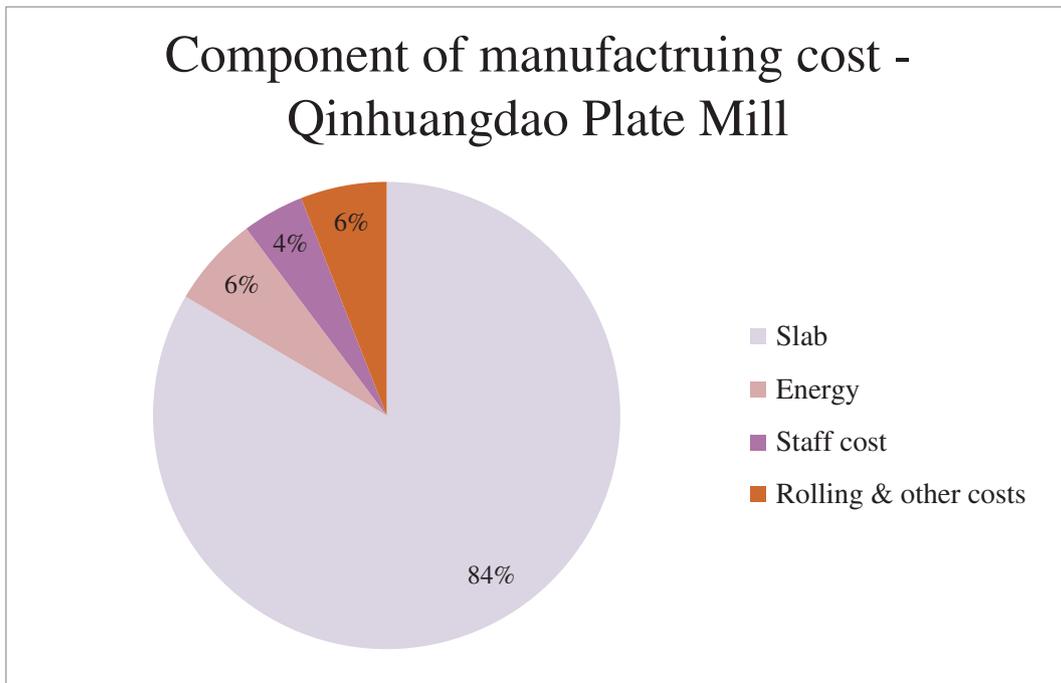
Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK\$1,522 million before elimination for the year ended 31 December 2015, a drop of 34.0% comparing with that of last year. The drop was mainly due to the lower selling price in the weak market. ASP (exclude VAT) was RMB2,316 (HK\$2,853) per tonne, 27.4% lower than that of last year. The Group's share of net loss of Qinhuangdao Plate Mill increased to HK\$210 million comparing to net loss of HK\$69 million in last year as affected by the deteriorated operating environment.

	2015	2014	Change
Quantities sold – heavy plate (tonnes)	431,000	532,000	-19.0%
ASP (RMB)	2,316	3,189	-27.4%



In the above chart, the bar represents sales volume while the line represents ASP.



Mineral exploration

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coking coal mines in Shanxi province, PRC namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine with an annual production capacity of over 6 million tonnes. Its consolidated turnover for the year was HK\$1,997 million, a drop of 38.7% over that of last year. As the material for the refining of coke, which is the second largest raw materials for steel manufacturing, the selling price and sales volume of coal continued to decline. The operating profit of Shougang Resources was reduced and Shougang Resources was forced to make further impairment loss on its coal mines related assets in the amount of HK\$791 million during the year of which HK\$516 million is attributable to the shareholders of Shougang Resources. Loss attributable to shareholders of Shougang Resources in this year was HK\$416 million while there was loss of HK\$425 million in last year. Loss of Shougang Resources attributable to the Group was HK\$139 million in this year.

Although the selling price and volume of coking coal were still weak during the year, with the brand quality of Shougang Resources's products, we are still confident towards its future operations.

Production and processing of iron ore products

The Group holds an effective 67.84% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd (“Shouqin Longhui”) which is situated at Qinglong County, Qinhuangdao City, Hebei province, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

During the year under review, Shouqin Longhui sold approximately 286,000 tonnes pellets while average selling price was RMB590 (HK\$727) per tonne. It recorded a turnover of HK\$239 million before elimination for the year. Loss of Shouqin Longhui attributable to the Group was HK\$170 million, an increase of HK\$17 million comparing to an attributable loss of HK\$153 million in last year.

Commodity trading

Our trading operations are jointly conducted by SCIT Trading Limited, SCIT Services Limited and Shougang Concord Steel Holdings Limited and its subsidiaries (“The Trading Group”), all of which are wholly owned by the Group. The Trading Group reported a turnover of HK\$497 million before elimination for the year ended 31 December 2015, significantly decreased by 75.1% comparing to last year. The Trading Group mainly traded the iron ores provided under the offtake agreements with Mt. Gibson since 2009. Following the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014, it sold only approximately 1.24 million tonnes of iron ores inventory during the current year. The sales volume was much lower than the 2.46 million tonnes sold of last year, thus caused significant drop in turnover. Selling price also decreased by 56.5% to USD40 (HK\$315) per tonne. The resulting net profit of this segment was only HK\$48 million in this year, comparing to HK\$86 million in last year.

Other business

Manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products

Shougang Century is a 35.71% associate of the Group listed in Hong Kong whose businesses are manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products. There is keen competition in the steel cord market. The selling price of steel cords continued to drop during the year. The Group’s share of its net loss was HK\$135 million, comparing to share of loss of HK\$99 million in last year.

Further to the non-legally binding memorandum of understanding (“MOU”) dated 13 July 2014 and the supplemental MOU dated 30 June 2015 between Shougang Century and an independent third party, there is a proposed capital injection into one of the wholly-owned major subsidiaries of Shougang Century, 滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd#) (“TESC”) by the independent third party as well as the proposed strategic cooperation between Shougang Century and the independent third party. Upon completion of the proposal, Shougang Century and the independent third party will each own 50% interests in TESC. The proposed capital injection would enhance the capital base of TESC and provide additional financial resources to TESC, which will be utilised to fund the phase II construction of TESC’s steel cord production facilities with an annual production capacity of 100,000 tonnes. The completion of the proposal is subject to the fulfilment of certain conditions.

For identification only

Environmental Policies and Compliance with Laws and Regulations

To ensure compliance with the laws and regulations of environmental policies, the Group has implemented various environmental protection measures. Shouqin, the Company's flagship subsidiary, focuses on investment in environmental protection and creating green production. With the construction goal of environment protective type, energy recycling type and cost-effective type, which comprised of the following measures:

1. Dust Clearing System

Shouqin has applied fully enclosed joint silos, which eliminates the traditional raw steel enterprises yard mode and integrates storage and distribution as a whole. This resolves the dusting problem of raw materials, reduces the cost of dumping and ensures the quality of raw materials and fuels whilst eliminating pollution. Dust is removed in a fully enclosed loop, which utilizes all vacuum suction tankers in pneumatic conveying to eliminate secondary dusting. In addition, pulse dust-dry technique is applied at large blast furnace to treat blast furnace gas.

2. Water System

Shouqin has constructed a centralized water supply and closed-loop water system, which implements the water for use in production on cascade basis. By combining the principles of voicing diversion, rain and sewage diversion and loop principle, the smelting of steel, iron and rolling of steel were built with water treatment system with separate loop. There is zero waste water discharge from production.

3. Energy Recycling

The residual resources are adequately utilized from comprehensive application of power generation projects (pressure generation), which do not only save energy but reduce emissions of pollutants and noise. The recovery of gas from by-products through the use of advanced technologies are all applied in sintering, hot stove, sleeve kilns, furnaces and captive power generation.

- Recycling of blast furnace gas

The blast furnace gas generated from the production of Shouqin after going through gravity dusting and dry dusting are all recovered and stored, which are applied pressure generation of electricity, sintering ignition, stove, furnace coal injection mixing air and rolling furnace production.

- Converter gas recovery and utilization

The converter gas generated from the production of Shouqin after one time dusting are applied in torpedo baking, bake steel package, captive power plant boilers, lime sleeve kiln production.

- Residual heat recycling

The steam generated from the factory area of Shouqin accounted for 75% of the total usage of steam in the residual heat recycling within the factory area, which is applied to sintering mixing, RH furnace production, the production of liquid oxygen and other areas.

4. Energy-saving measures

- Energy centre

Through information technology, digital technology, precise control, segment management, Shouqin implements total process management over the procurement, production, operation, use and recycle of energy products. Comprehensive monitoring and economic distribution of energy is realized and the goals of systematic energy saving are achieved.

- Energy Management Contracts

Shouqin first introduced new mechanisms of energy saving for energy management contracts in the steel industry, which accumulated the implementation for a number of energy conservation projects, with annual reduction capacity in energy conservation.

5. Noise Control

Shouqin selected low-noise equipment, using silencers, noise separation, vibration reduction and flexible connections in air compressors, oxygen compressors, blowers, etc.

6. Green landscaping

The green landscaping site in the factory area of Shouqin amounted to 720,000 square metres with a green ratio of approximately 40%.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

We aim to diversify our funding sources through utilization of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Cash/Bank balances and Loans

The cash and bank balances, loans and financial leverage of the Group as at 31 December 2015 as compared to 31 December 2014 is summarized below:

	PRC (exclude HK) 31 December 2015 HK\$ Million	Other than PRC 31 December 2015 HK\$ Million	Group Total 31 December 2015 HK\$ Million	Group Total 31 December 2014 HK\$ Million
Cash and bank deposits	<u>1,009</u>	<u>620</u>	<u>1,629</u>	<u>2,236</u>
Loans				
– from banks*	<u>5,705</u>	<u>905</u>	<u>6,610</u>	7,975
– from parent company	<u>1,431</u>	<u>–</u>	<u>1,431</u>	873
Total loans	<u>7,136</u>	<u>905</u>	<u>8,041</u>	<u>8,848</u>
Total assets	<u>14,857</u>	<u>6,406</u>	<u>21,263</u>	<u>25,888</u>
Total loans to total assets	<u>48.0%</u>	<u>14.1%</u>	<u>37.8%</u>	<u>34.2%</u>

* *excluding financing from discounted bills.*

Our controlling shareholder, Shougang Corporation has provided corporate guarantee for most of the bank loans in PRC granted to the Group. Taking into account the financial resources of the Group, including the Group's ability to renew and refinance the banking facilities upon maturity, the Group has sufficient working capital to meet in full its financial obligations.

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the year ended 31 December 2015, approximately 95% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks if necessary. No amount of such derivatives was outstanding as at the end of the period.

3. Financing activities

The Company has concluded two new bank financing during this year, totaling USD65 million, of tenors from 2 years to 3.5 years.

There are various financial covenants under the existing bank loan agreements entered into by the Company. The Company has been from time to time monitoring the compliance with such financial covenants. In the event the Company foresees the possibility that the Company may not be able to attain any required financial indicators for any relevant period, the Company will take pre-caution measures to obtain consents from the relevant banks either to waive compliance with the relevant financial covenants for the relevant period or to revise the relevant financial covenants, as the case may be.

MATERIAL ACQUISITIONS & DISPOSALS

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

SUBSEQUENT EVENT

On 23 March 2016, the Company received a non-legally binding letter of intent from Shougang Corporation to acquire the 100% shareholding in Qinhuangdao Plate Mill and 76% shareholding in Shouqin (including the interests in their respective subsidiaries) held by three subsidiaries of the Company namely Shine Tone Group Limited, Froxy Investments Limited and Host Sun Investments Limited, at a consideration of not less than HK\$1. Shougang Corporation is now proceeding with the early stage procedures and expects to go through the procedures within the year of 2016. It will negotiate with the Company to fix the details of the transaction after completion of the relevant procedures.

CAPITAL STRUCTURE

The Company did not issue any new shares during this year.

The issued share capital of the Company was HK\$5,345 million (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 3,840 employees as at 31 December 2015.

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

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

CUSTOMERS AND SUPPLIERS

Through years of business cooperation, the Group has established good relationship with customers and suppliers. The ultimate holding company of the controlling shareholder of the Company is Shougang Corporation, which together with its subsidiaries, is also the largest customer and supplier of the Group. During the year, the sales and purchases made by the Group to and from Shougang Corporation and its subsidiaries accounted for 11.0% and 31.7% of the total sales and total purchase of the Group, respectively. In addition, the Group entered into iron ore offtake agreements with an Australia-listed iron ore producer Mt. Gibson. Mt. Gibson will supply iron ore to the Group in a long term basis so as to stabilise our upstream supply.

PRINCIPAL RISKS AND UNCERTAINTIES

The most important operating activity of the Group is the manufacturing and sales of steel. However, affected by the excessive production capacity and the imbalance of supply and demand, the industry has been suffered from severe downturn over the last few years. As China is the world's largest steel producer which accounts for nearly half of the global crude steel production, the economy of China inevitably affects the operation of the steel industry. The GDP growth of China continued to slowdown in recent years, which caused adverse impact, to a large extent, on the steel industry. In face of sluggish domestic demand, the steel industry needs to explore a way out, resulting in upsurge of steel export in China by approximately 20% over last year. But, other countries gradually imposed anti-dumping policies on steel export from China, which brought challenges to export of steel. Furthermore, banks are generally wary of the steel industry, the industry thus faces increasing difficulties in obtaining financing facilities and renewing loans. Financial strains has been a big headache of all steel companies.

Another principal activity of the Group is commodity trading, which is mainly operating through the long-term offtake agreements entered into with an Australia-listed iron ore producer Mt. Gibson to offtake iron ore for trading. However, at late 2014, the seawall outside of Mt. Gibson's Koolan Island mine collapsed and resulted in flooding in the mine, thus the production was suspended, leading to significant hit on the commodity trading business of the Group. The business performance of this segment depends largely on when the production in the Koolan Island mine can be restored.

In addition to the steel manufacturing and commodity trading, the Group has also been engaged in mining and sales of hard coking coal in the Mainland by holding interests in a Hong Kong listed associate, Shougang Resources. As an important raw materials for steel refining, the sale of coking coal of Shougang Resources could not stay unaffected but encountered constant decline in both selling price and sale volume, year-on-year drop in gross profit margin, and even needed to make impairment loss on its coal mine-related assets. Being a key upstream component of the steel industry, the future operation of Shougang Resources is closely bound up with the development of the steel industry.

Save for the abovementioned risks and uncertainties, the analysis on other market risk, credit risk and liquidity risk of the Group are detailed in the note of financial instruments to the financial statements.

PROSPECTS

The US, being the world-dominating economy, has eventually raised interest rate at the end of 2015. Such act brought the quantitative easing policies which had spanned over years to an end and re-started the interest rate hike cycle. The frequency and the extent of the interest rate hike will have significant effect on the global economy in the future. On the other hand, the China-related factors play an increasingly important role to the global economy. During 2015, factors like turmoil in the stock market in China, RMB depreciation, economic slowdown have stroke a heavy blow to the global financial market. Looking toward 2016, the China-related factors will also be an important impetus to drive global economic development.

The steel manufacturing business, which is the most vital segment of the Group, has been facing the issues of excess capacity for years. The operating condition remains difficult with the steel companies experiencing severe loss in general. The National 13th Five-Year Plan has explicitly considered capacity scaling down as a key objective in 2016. China's production volume of crude steel in 2015 decreased by 2.3% when compared to last year, which was the first-ever decline over the past three decades. The decrease showed a gradual unveil of the result of capacity scaling down, which will, when complementing with the future "One Belt and One Road" initiative, allow the industry to bail out of the abyss in the long-run, but the current severe situation is yet to be broken away in the near terms.

The Group has been engaged in the mining and sales of hard coking coal through its Hong Kong-listed associate Shougang Resources. Affected by the weak downstream steel industry, both selling price and sales volume of coking coal of Shougang Resources decreased, which also caused constant decline in its gross profit margin. As such, Shougang Resources needed to make further provision on its coal mine-related assets. During the period, the Group has for the first time made an impairment loss of HK\$952 million on its investment in goodwill in relation to the investment in Shougang Resources. Nevertheless, the strong financial base of Shougang Resources with almost zero gearing ratio and substantial cash balance enable it to maximize its value when appropriate opportunities arise.

In respect of commodity trading, the Group has been engaged in iron ore trading by entering into offtake agreements with Mt. Gibson, which is a listed company in Australia. However, the seawall outside the Koolan Island mine of Mt. Gibson collapsed at late 2014, resulted in flooding in the mine, and the production of which was therefore suspended. It is unable to provide normal supply of iron ore to the Group for trading purpose. Currently, there is still no definite schedule from Mt. Gibson for the resumption of mining in Koolan Island. Prior to the resumption of mining in Koolan Island, the Group's commodity trading business will remain sluggish.

In 2015, numerous industrial factors have resulted in unsatisfactory performance of each segment of the Group. The future business environment still depends largely on the economic growth in the Mainland and the recovery of the global economy. Although the situation in the short term is gloomy, with the immense support from Shougang Corporation, the controlling shareholder of the Company, we remain full confidence in the prospect of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2015, except for the following deviations:

- Under the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

During the year, the Non-executive Directors and the Independent Non-executive Directors may communicate with the Chairman directly at any time to voice their opinion and share their views on the Company’s affairs despite that the Chairman has not held a meeting with the Non-executive Directors and the Independent Non-executive Directors without the Executive Directors present on the grounds of his absence from Hong Kong. The Company considers that there are sufficient channels for discussion of the Company’s affairs between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) in the absence of management.

- Under the first part of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The Chairman of the Board, who is also the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 22 May 2015 (the “2015 AGM”) as he had another business engagement. The Managing Director of the Company, who took the chair of the 2015 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the 2015 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2015 AGM were already of sufficient calibre and number for answering questions at the 2015 AGM.

Details of the Company’s compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company’s 2015 annual report.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By Order of the Board
**Shougang Concord International
Enterprises Company Limited**
Li Shaofeng
Managing Director

Hong Kong, 23 March 2016

As at the date of this announcement, the Board comprises Mr. Zhang Gongyan (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Ding Rucai (Deputy Managing Director), Mr. Shu Hong (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).