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 2017

HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	**Change**
	HK$'000	*HK$'000*	***%***
Operations			
Revenue	**2,113,258**	1,703,255	**+24.1**
Gross profit	**196,065**	215,414	**-9.0**
EBITDA *(Note)*	**104,096**	175,264	**-40.6**
(Loss) profit for the year	**(68,518)**	10,103	**N/A**
Basic (loss) earnings per Share *(HK cents)*	**(3.56)**	0.53	**N/A**

Note: EBITDA represents earnings before finance costs, income tax, depreciation and amortisation.

	At 31 December		
	2017	2016	**Change**
	HK$'000	*HK$'000*	***%***
Financial position			
Total assets	**3,444,076**	3,037,042	**+13.4**
Shareholders' equity	**1,391,528**	1,321,965	**+5.3**
Net asset value per Share *(HK$)*	**0.724**	0.687	**+5.3**

The Board announces that the audited consolidated results of the Group for the year ended 31 December 2017 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 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	*3*	**2,113,258**	1,703,255
Cost of sales		**(1,917,193)**	(1,487,841)
Gross profit		**196,065**	215,414
Investment and other income	*5*	**3,817**	1,694
Other gains and losses	*6*	**(22,873)**	4,491
Distribution and selling expenses		**(65,579)**	(49,877)
Administrative expenses		**(71,771)**	(71,899)
Research and development expenses		**(62,385)**	(47,998)
Finance costs	*7*	**(52,487)**	(45,888)
(Loss) profit before tax		**(75,213)**	5,937
Income tax credit	*8*	**6,695**	4,166
(Loss) profit for the year	*9*	**(68,518)**	10,103
(Loss) earnings per share	*11*		
Basic and diluted		**(HK3.56 cents)**	HK0.53 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year	**(68,518)**	10,103
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss		
Exchange differences arising on translation into presentation currency	**107,416**	(100,606)
Surplus on revaluation upon transfer of property, plant and equipment to investment property	**3**	887
Surplus on revaluation of properties	**34,200**	19,337
Recognition of deferred tax liability on revaluation of properties	**(3,538)**	(3,626)
Other comprehensive income (expense) for the year (net of tax)	**138,081**	(84,008)
Total comprehensive income (expense) for the year	**69,563**	(73,905)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties	*12*	**70,790**	58,675
Property, plant and equipment	*12*	**1,273,927**	1,169,092
Prepaid lease payments		**74,314**	141,636
Pledged deposit on loan from a related company		**8,374**	7,825
Club memberships		**331**	714
Deposits paid for the acquisition of property, plant and equipment		**8,967**	336
		1,436,703	1,378,278
Current assets			
Inventories		**306,232**	233,121
Trade receivables	*14*	**688,333**	563,162
Bills receivable	*14*	**683,954**	479,206
Prepayments, deposits and other receivables		**52,466**	67,249
Prepaid lease payments		**4,728**	7,671
Tax recoverable		**1,321**	–
Pledged bank deposits		**59,780**	1,006
Bank balances and cash		**210,559**	307,349
		2,007,373	1,658,764
Current liabilities			
Trade and bills payables	*15*	**830,269**	440,608
Other payables and accruals	*15*	**139,563**	95,050
Tax payable		**5,543**	10,304
Loans from related companies	*16*	**228,754**	186,090
Bank borrowings – due within one year	*17*	**502,764**	900,552
		1,706,893	1,632,604
Net current assets		**300,480**	26,160
Total assets less current liabilities		**1,737,183**	1,404,438

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Other payable		**1,119**	1,129
Loan from a related company	*16*	**22,170**	47,121
Bank borrowings – due after one year	*17*	**295,322**	–
Deferred tax liabilities		**27,044**	34,223
		345,655	82,473
		1,391,528	1,321,965
Capital and reserves			
Share capital	*18*	**1,191,798**	1,191,798
Reserves		**199,730**	130,167
		1,391,528	1,321,965

Notes:

1. **GENERAL**

Shougang Concord Century Holdings Limited (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 Group Co., Ltd., a company established in the PRC. The address of the registered office of the Company is situated at 5th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiary (collectively referred to as 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, the financial statements are presented in Hong Kong dollars ("HKD").

2. **BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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 2017 and 2016 included in this preliminary announcement of annual results 2017 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 2016 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 2017 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.

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:

	2017	2016
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cords	**1,805,523**	1,405,483
Processing and trading of copper and brass products	**305,405**	295,982
	2,110,928	1,701,465
Rental income	**2,330**	1,790
	2,113,258	1,703,255

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 revenues and results by operating and reportable segment:

For the year ended 31 December 2017

	Steel cord	**Copper and brass products**	**Segment total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue			
External sales	**1,805,523**	**305,405**	**2,110,928**
Segment results	**(47,106)**	**2,127**	**(44,979)**

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	**2,110,928**
Rental income	**2,330**
Group revenue	**2,113,258**

Reconciliation of loss before tax

	HK$'000
Total loss for operating segments	**(44,979)**
Profit arising from property investment	**25,691**
Unallocated amounts	
Unallocated income	**373**
Unallocated foreign exchange gains, net	**29,838**
Unallocated expenses	**(33,649)**
Unallocated finance costs	**(52,487)**
Loss before tax	**(75,213)**

For the year ended 31 December 2016

	Steel cord *HK$'000*	Copper and brass products *HK$'000*	Segment total *HK$'000*
Segment revenue			
External sales	1,405,483	295,982	1,701,465
Inter-segment sales *(Note)*	–	22,452	22,452
Total	1,405,483	318,434	1,723,917
Segment results	110,191	1,990	112,181

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

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,723,917
Rental income	1,790
Elimination of inter-segment sales	(22,452)
Group revenue	1,703,255

Reconciliation of profit before tax

	HK$'000
Total profit for operating segments	112,181
Profit arising from property investment	4,166
Unallocated amounts	
Unallocated income	500
Unallocated foreign exchange losses, net	(31,592)
Unallocated expenses	(33,430)
Unallocated finance costs	(45,888)
Profit before tax	5,937

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

	2017	2016
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**399**	492
Other income		
Government grants *(Note)*	**411**	1,059
Sales of scrap materials	**3,007**	143
	3,418	1,202
	3,817	1,694

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

	2017	2016
	HK$'000	*HK$'000*
Foreign exchange gains (losses), net	**24,158**	(27,528)
Changes in fair value of investment properties	**23,820**	2,890
Bad debts recovered	**1,700**	508
Allowance for bad and doubtful debts reversed, net	**728**	28,931
Gain on disposal of club memberships, net	**395**	–
Impairment loss recognised in respect of prepaid lease payments	**(72,523)**	–
Change in fair value of financial liabilities designated as at fair value to profit or loss ("FVTPL")	**(1,467)**	–
Loss an disposal of property, plant and equipment, net	**(110)**	(20)
Others	**426**	(290)
	(22,873)	4,491

Note: During the year ended 31 December 2017, the Group entered into foreign currency future contracts to minimize its exposure to the fluctuation of RMB with an aggregate notional amount of USD3,000,000 and at future rates of RMB7.0621 to USD1, RMB7.0485 to USD1 and RMB7.0440 to USD1. These contracts were classified as financial liabilities designated as at FVTPL and were fully settled on 20 December 2017.

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**42,665**	37,970
Interest expenses on loans from related companies	**5,169**	3,007
Amortisation of loan transaction costs	**4,653**	4,911
	52,487	45,888

8. INCOME TAX CREDIT

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
People's Republic of China ("PRC") Enterprise Income Tax ("EIT")	**622**	691
Overprovision in prior years:		
PRC EIT	**(7,047)**	(5,506)
Deferred tax	**(270)**	649
	(6,695)	(4,166)

No provision for Hong Kong Profits Tax for the years ended 31 December 2017 and 2016 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 in 2017 (2016: 2014), and the status is valid for a period of three years. JESC is thus entitled to a preferential tax rate of 15% in 2017, 2018 and 2019 (2016: 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 2017 and 2016.

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) PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense (including allowance for inventories recognised of approximately HK$1,851,000 (2016: HK$1,024,000))	**1,898,939**	1,469,312
Depreciation of property, plant and equipment	**118,903**	115,415
Auditor's remuneration		
– Audit services	**1,495**	1,450
– Non-audit services	**428**	417
Amortisation of prepaid lease payments (included in "Cost of sales")	**7,919**	8,024

10. DIVIDENDS

No interim or final dividend was paid or proposed for the years ended 31 December 2017 and 2016, nor has any dividend been proposed since the end of the reporting period.

11. (LOSS) EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
(Loss) profit		
(Loss) profit for the purposes of calculation of basic and diluted (loss) earnings per share	**(68,518)**	10,103

	2017	2016
Number of shares		
Number of ordinary shares for the purposes of calculation of basic and diluted (loss) earnings per share	**1,922,900,556**	1,922,900,556

For the year ended 31 December 2017, 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. For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares in 2016.

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

During the year ended 31 December 2017, the Group incurred approximately HK$109,003,000 (2016: HK$10,868,000) on the enhancement of production facilities of Steel cord segment. In addition, the Group also acquired approximately HK$455,000 (2016: HK$187,000) of other property, plant and equipment in the current year.

During the year ended 31 December 2017, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$16,417,000 (2016: HK$1,627,000) for cash proceeds of HK$16,307,000 (2016: HK$1,607,000), resulting in a loss on disposal of HK$110,000 (2016: HK$20,000).

The fair values of the Group's investment properties as at 31 December 2017 have been arrived at on the basis of valuations carried out on that date by Vigers Appraisal and Consulting Limited ("Vigers") (2016: 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$23,820,000 (2016: HK$2,890,000) has been credited to profit or loss for the year.

As at 31 December 2017, the leasehold land and buildings of the Group were valued by Vigers (2016: 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$34,203,000 (2016: HK$20,224,000).

Due to the decline in financial performance of Tengzhou Eastern Steel Cord Co., Ltd. ("TESC") and JESC, indirect wholly owned subsidiaries of the Company, attributable to the increase in raw material cost, during the year ended 31 December 2017, the management conducted reviews on the recoverable amounts of the property, plant and equipment of TESC and JESC and determined that there was no impairment to the carrying amounts of these property, plant and equipment. The recoverable amounts of the relevant assets as at 31 December 2017 and 2016 were determined based on value in use calculation and certain key assumptions. Value in use calculations used cash flow projections based on financial budgets approved by the management covering a five-year period. Discount rates used for the value in use calculations are at 11.82% and 11.30% (2016: 10.94% and 10.45%), respectively. Cash flows beyond the five-year period were 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 was based on the management's expectations for the market development. No impairment loss was recognised in both current and prior years.

13. GOODWILL

	HK$'000
COST	
At 1 January 2016, 31 December 2016 and 31 December 2017	41,672
IMPAIRMENT	
At 1 January 2016, 31 December 2016 and 31 December 2017	41,672
CARRYING VALUE	
At 31 December 2016 and 31 December 2017	–

For the purposes of impairment assessment, goodwill had been allocated to one cash generating unit ("CGU"), comprising a subsidiary in the steel cord segment, JESC. A CGU was considered to be impaired when its recoverable amount declines below its carrying amount. The carrying amount of goodwill associated with the CGU as at 31 December 2017 and 2016 had been fully impaired.

14. TRADE RECEIVABLES/BILLS RECEIVABLE

	2017 ***HK$'000***	2016 *HK$'000*
Trade receivables	**708,075**	582,291
Less: allowance for bad and doubtful debts	**(19,742)**	(19,129)
	688,333	563,162
Bills receivable	**683,954**	479,206
	1,372,287	1,042,368

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 or on the date that titles of goods have passed, which approximated the respective revenue recognition dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**535,777**	433,128
91 – 180 days	**145,993**	115,298
Over 180 days	**6,563**	14,736
	688,333	563,162

An aged analysis of bills receivable at the end of the reporting period presented based on sales invoice date, which approximated the respective revenue recognition dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 90 days	**50,595**	22,036
91 – 180 days	**266,311**	134,139
Over 180 days	**367,048**	323,031
	683,954	479,206

15. TRADE AND BILLS PAYABLES/OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**705,298**	437,254
Bills payable	**124,971**	3,354
	830,269	440,608

The bills payable are secured by pledged bank deposits.

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**208,686**	142,287
31 – 90 days	**236,611**	121,497
91 – 180 days	**227,788**	140,691
181 – 365 days	**24,377**	22,004
Over 1 year	**7,836**	10,775
	705,298	437,254

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

Included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$70,444,000 (2016: HK$28,099,000).

16. LOANS FROM RELATED COMPANIES

	2017 *HK$'000*	2016 *HK$'000*
Loan from a related company *(Note i)*	**200,657**	161,000
Loan from a related company *(Note ii)*	**50,267**	72,211
	250,924	233,211
Less: Amount shown under current liabilities	**(228,754)**	(186,090)
Amount shown under non-current liabilities	**22,170**	47,121

Notes:

i 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.

ii On 29 June 2016, TESC had entered into agreements (the "Agreement") with South China International Leasing Co., Ltd. ("South China Leasing") whereby TESC had drawn down a loan of RMB70,000,000 (equivalent to approximately HK$81,159,000) from South China Leasing on 16 August 2016 which is to be repayable by 12 quarterly instalments plus interest at 5.13% per annum and obligated to pay lease handling fee of RMB2,100,000 (equivalent to approximately HK$2,454,000). South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand (Group) Limited, which is in turn held as to approximately 50.53% by Shougang HK. As such, South China Leasing is an associate of Shougang HK.

As collaterals for the above financing,

(i) TESC transferred the ownership title of certain machineries and equipment ("Machineries and Equipment") to South China Leasing;

(ii) TESC placed a pledged deposit of RMB7,000,000 (equivalent to approximately HK$8,374,000) (2016: equivalent to approximately HK$7,825,000) to South China Leasing; and

(iii) the Company entered into a guarantee agreement in favour of South China Leasing for the payment obligations of TESC under the Agreement.

Upon discharging TESC's obligations under the Agreement, South China Leasing will return the ownership title of the Machineries and Equipment to TESC for a nominal purchase price of RMB1,000. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

17. BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Other bank loans	**765,361**	801,337
Less: loan transaction costs	**(4,678)**	(3,321)
	760,683	798,016
Trust receipt loans	**–**	10,125
Discounted bills with recourse	**37,403**	92,411
	798,086	900,552
Less: Amount shown under current liabilities	**(502,764)**	(900,552)
Amount shown under non-current liabilities	**295,322**	–
Secured	**134,303**	101,070
Unsecured	**663,783**	799,482
	798,086	900,552

18. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Issued and fully paid		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,922,901	1,191,798

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business model and strategy

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

The Board is responsible for the development of business models and setting of strategies, planning and development of the Group. The strategies adopted by the Board will be deployed to the 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 the constantly changing market environment. Corrective and follow-up actions are made regularly at the Board and/or other management meetings throughout the years.

Review of operations

During the year under review, the PRC recorded a stable economic growth of 6.9% driven by the strong growth in local consumption, export trade and property development. The sentiment of industrial sectors also remained positive during the year, as evidenced by the stable manufacturing purchasing managers index (PMI) and producer price index (PPI) throughout the year. These brought along the stable growth in the demand for radial tyres from the automobile and transportation sectors that boosted the growth in demand for steel cord. Compared with sales growth in previous years, the Steel cord segment continued to record solid growth in sales volume during the year under review, whereas raw material costs substantially increased due to de-capacitation in the wire rod industry, and the Group recognised a full impairment of prepaid lease payments amounting to HK$72,523,000 as a result of possible forfeiture of land use rights, details of which would be discussed under the section "*Impairment loss recognised in respect of prepaid lease payments*", this segment recorded a decrease in gross profit and increase of operation loss during the year under review.

In respect of Copper and brass products segment, notwithstanding that average selling price had a moderate increase attributable to the double-digit increase in copper price, sale volume and revenue declined during the year in both PRC and Hong Kong. Management continued to adopt strict operating cost control, and this segment achieved slightly increase in operating profit from HK$1,990,000 in previous year to HK$2,127,000 during the year.

For the Group as a whole, attributable to the decrease in gross profit and recognition of impairment loss in respect of prepaid lease payments as mentioned above, the Group recorded profit of HK$10,103,000 in the previous year to loss of HK$68,518,000 for the year.

Steel cord

Overall performance

The growth of the automobile industry in the PRC remained stable during the year under review. According to the information from China Association of Automobile Manufacturers, the production of new vehicles amounted to 29 million units in 2017, represented an annual growth of 3.2% over that of the previous year, as compared to a 14.5% growth in 2015/2016. During the year under review, the production volume of passenger cars increased by 1.6% over the previous year; whereas the production volume of commercial vehicles increased by 13.8% over the previous year. In addition, based on the information from the Tyre Branch of China Rubber Industry Association, the production of radial tyres amounted to approximately 613 million units in 2017, increased by 8.5% as compared to 565 million units produced in the previous year.

This segment achieved a solid growth in sales volume of steel cord of 15.2% over the previous year, which was driven by the increase in demand for radial tyres as mentioned above; and also reflected the result of our strategy to increase focus on large scale and multinational tyre manufacturers and the fine-tuning of sales mix to meet our customers' requirements flexibly. In respect of selling price, the average selling price of steel cord for the year recorded a moderate increase of 10% as compared to the previous year. The increase in sales volume and average selling price therefore contributed to the increase in revenue of this segment by 28.5% over the previous year.

Despite our two steel cord manufacturing plants kept other auxiliary production costs down from improved operating efficiencies and higher production volume, the total unit cost of production of steel cord increased substantially as compared to the previous year, which was the result of the substantial increase in raw material prices. On the other hand, the rise of raw material prices was driven from the de-capacitation in the wire rod industry in particular during the second half year resulted from notwithstanding the year-on-year increase in sales volume of steel cord of 15.2%, cost of sales of this segment for the year significantly increased by 34.7% over the previous year and gross profit of this segment decreased by 8.4% as compared to the previous year of HK$186,543,000 (2016:HK$203,587,000) for the year.

Due to the decrease in gross profit and the recognition of impairment loss in respect of prepaid lease payments which is illustrated under the section with heading "*Impairment loss recognised in respect of prepaid lease payments*" here below, this segment recorded decrease in EBITDA for the year. EBITDA amounted to HK$78,929,000 for the year, decreased by 66% as compared to HK$232,481,000 over the previous year.

Further to EBITDA, this segment recorded an operating loss of HK$47,106,000 for the year, as compared to an operating profit of HK$110,191,000 over the previous year.

Revenue

This segment sold 173,986 tonnes of steel cord during the year, which is an increase of 15.2% as compared to 150,990 tonnes for the previous year. In respect of other steel wire business, this segment sold an aggregate of 7,376 tonnes of wire products during the year, significantly increased by 69.9 times as compared to 104 tonnes for the previous year. The analysis of sales volume of this segment for the year is as follows:

	2017		2016		
	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	**116,327**	**66.9**	99,372	65.8	**+17.1**
– off the road truck tyres	**3,556**	**2.0**	3,324	2.2	**+7.0**
– passenger car tyres	**54,103**	**31.1**	48,294	32.0	**+12.0**
Total for steel cords	**173,986**	**100.0**	150,990	100.0	**+15.2**
Sawing wire products	**389**		491		**–20.8**
Other steel wires	**7,376**		104		**+6992.3**
Total	**181,751**		151,585		**+19.9**

The sales volume of steel cord for all aforesaid types of tyres recorded a solid growth. In respect of sale mix, there was no significant change during the year, the proportion of sales of steel cord for truck tyres accounted for 66.9% of the total sales volume of steel cord for the year, increased by 1.1 percentage points as compared to the previous year, it still amounted to the largest share of sales of steel cord of the Group for the year.

In respect of sales of steel cord by region, the volume of export sales of steel cord amounted to 33,892 tonnes for the year, increased by 42% as compared with 23,873 tonnes for the previous year. The volume of export sales represented 19.5% of total sales volume of steel cord for the year, increased by 3.7 percentage point as compared to 15.8% for the previous year. The breakdown of sales volume of steel cord for the year by geographical location is as follows:

	2017		2016		
	Sales volume ***(tonne)***	**% of total sales volume of steel cords**	Sales volume *(tonne)*	% of total sales volume of steel cords	**% change**
PRC	**140,094**	**80.5**	127,117	84.2	**+10.2**
Export sales:					
Asia (other than PRC)	**17,589**	**10.1**	15,412	10.2	**+14.1**
EMEA (Europe, Middle East and Africa)	**10,938**	**6.3**	5,463	3.6	**+100.2**
North America	**2,024**	**1.2**	1,904	1.3	**+6.3**
Latin America	**3,341**	**1.9**	1,094	0.7	**+205.4**
Total export sales	**33,892**	**19.5**	23,873	15.8	**+42.0**
Total	**173,986**	**100.0**	150,990	100.0	**+15.2**

In respect of selling price, we were able to raise selling price practically across the board, due to the rebound in steel prices, the relief in overcapacity situation of steel cord industry together with the introduction of new products and expansion of exports during the year. As such, the average selling price of steel cords for the year increased by approximately 10% as compared to the previous year.

The sales volume growth of 15.2% in steel cord and the increase in average selling price of 10% caused the revenue of this segment increased by 28.5% over the previous year to HK$1,805,523,000 (2016: HK$1,405,483,000) for the year.

Cost of sales
Cost of sales of this segment increased substantially by 34.7% to HK$1,618,980,000 (2016: HK$1,201,897,000) for the year, which was driven by the significant corresponding increase of 15.2% in tonnage and the sharply rising price of major raw materials, wire rod.

The rising wire rod prices especially in the second half of the year caused the costs of production of steel cord in the year and the average unit cost of production of steel cord increased by approximately 16% as compared to the previous year.

Gross profit
Despite revenue increased by 28.5% as compared with the previous year, gross profit of this segment recorded a decrease of 8.4% as compared to the previous year to HK$186,543,000 (2016: HK$203,587,000) for the year. The decrease was mainly attributable to the increase in cost of sales of 34.7% as compared to the previous year and therefore gross profit margin dropped from 14.5% in the previous year to 10.3% for the year.

Investment and other income
Investment and other income amounted to HK$3,585,000 for the year, increased by 2.4 times as compared to HK$1,050,000 for the previous year, mainly because of the amount of sales of scrap materials increased by 20 times over the previous year to HK$3,007,000 (2016: HK$143,000) for the year.

Allowance for bad and doubtful debts reversed, net and bad debts recovered
We continued to enhance credit control on sales and collection of trade receivables, and incessantly pursue on the collection of long overdue trade receivables since previous years. Bad debts of HK$1,700,000 was recovered and net allowance for bad and doubtful debts of HK$728,000 was reversed during the year, whilst bad debts of HK$508,000 was recovered and net allowance for bad and doubtful debts of HK$29,587,000 was reversed during the previous year.

Impairment loss recognised in respect of property, plant and equipment
Based on the impairment assessments of property, plant and equipment of both JESC and TESC, their recoverable amounts exceeded the carrying amounts as of 31 December 2017, we are of the view that no further impairment loss is required to be recognised in respect of property, plant and equipment of both JESC and TESC.

Impairment loss recognised in respect of prepaid lease payments
TESC acquired the land use rights of three parcels of land situated at Tengzhou Economic Development Zone, Shangdong Province, PRC (the "Lands") through a public auction in 2010 and 2011. However, given the changes in the market of steel cord and strategic review of the expansion plan, TESC has yet to utilize the Lands since its acquisition, nor received the relevant land use right certificate. In late November 2017, TESC received a notice regarding the rescission of confirmation letter in respect of Successful Bidding of State-owned Land for Construction from Tengzhou Municipal State-owned Land Resources Bureau (the "Rescission Notice"). If the Rescission Notice is being carried out, TESC is required to surrender the Lands and forfeit the land use rights attached thereto. As at 31 December 2017, the aggregate carrying amount of the prepaid lease payments for the Lands amounted to approximately RMB60,623,000, equivalent to approximately HK$72,523,000.

Subsequently, TESC negotiated with the relevant Tengzhou government authorities with an aim to reach a consensus for TESC to continue utilizing the Lands to proceed with the construction plan in pursuit of obtaining the land use right certificates. In the process of obtaining the land use right certificates, TESC has been requested to pay compensation payments for attachments to land and green sprout during land acquisition, land deed tax and farmland occupancy tax (collectively referred to as the "Compensation and Tax Payments") regarding the Lands with an estimated aggregate amount of approximately RMB33,300,000 in early February 2018. As at the date of this announcement, the management is still seeking for a solution, including but not limited to, withdrawn of the Rescission Notice and a waiver of the Compensation and Tax Payments.

As the negotiations between the management and Tengzhou government authorities are still ongoing and there is no formal and concrete outcome in respect of the withdrawal of the Rescission Notice or the grant of waiver of the Compensation and Tax Payments, the Group has recognised a full impairment on the carrying amount of the prepaid lease payments for the Lands of HK$72,523,000 during the year under review.

Distribution and selling expenses
Distribution and selling expenses increased by 34.9% over the last year to HK$63,389,000 (2016: HK$46,986,000) for the year, as the total sales volume of this segment increased by 28.5% over the previous year.

Administrative expenses
Administrative expenses amounted to HK$35,478,000 for the year, increased by 7.8% as compared to HK$32,919,000 for the previous year.

Research and development expenses
Research and development expenses amounted to HK$62,385,000 (2016: HK$47,998,000) for the year, increased by 30% over the previous year which is deemed linear to the revenue growth over the previous year

Copper and brass products
Overall performance
The sale volume of this segment decreased by 21.9% as compared to the previous year while the revenue decreased by 4.1%. Management continued to adopt strict operating cost control, and this segment achieved an operating profit of HK$2,127,000 during the year, increased by 6.9% as compared to HK$1,990,000 for the previous year. In view of the lackluster demand and cost considerations, we had ceased our Hong Kong operation during the year and shifted the focus to Mainland China.

Revenue
This segment sold a total of 6,627 tonnes of copper and brass products during the year, decreased by 21.9% as compared to 8,482 tonnes for the previous year. Sales to customers in the PRC decreased year-on-year by 13.7%; and sales to customers in Hong Kong declined by 51.4% as compared to the previous year. The breakdown of sales volume of this segment for the year by geographical regions is as follows:

	2017		2016		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
PRC	**5,733**	**86.5**	6,641	78.3	**–13.7**
Hong Kong	**894**	**13.5**	1,841	21.7	**–51.4**
Total	**6,627**	**100.0**	8,482	100.0	**–21.9**

Copper price increased during the year, in which the 3-month copper price as quoted by the London Metals Exchange recorded an increase of approximately 31% throughout the year. The average selling price of this segment for the year recorded a year-on-year increase of 22.7% as compared to the previous year. The contribution from increased sales price was fully offset by the decline in sale volume. Therefore, this segment recorded a decrease in revenue of 4.1% as compared to the previous year to HK$305,405,000 (2016: HK$318,434,000) for the year.

Gross profit
Attributable to the reduced sale volume and higher unit cost of sales, gross profit recorded a significant decrease of 27.6% over the previous year to HK$7,412,000 (2016: HK$10,238,000) for the year. Gross profit margin decreased by 0.8 percentage point from 3.2% of the previous year to 2.4% for the year.

Relationship with key customers and suppliers
The revenue from sales to top five customers of the Group accounted for 42.2% (2016: 43.4%) of total revenue of the Group for the year, while the revenue from sales to the largest customer accounted for 14.4% (2016: 13.4%) 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 Group had concentration risk of reliance on major customers as the percentage of sales to top five customers accounted for 42.2% (2016: 43.4%) 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 monitoring their respective financial position and purchasing pattern, and 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. In addition, we will look for and/or develop any opportunity to diversify our business in related industry as shown in the discernible increase in sales volume of our wire products.

Regarding suppliers, the purchases from the Group's five largest suppliers accounted for approximately 47.1% (2016: 39.9%) of the total purchases of the Group for the year, while the purchases from the largest supplier accounted for 24.5% (2016: 13.8%) of the total purchases of the Group for the year.

The supplies from the five largest suppliers include 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 relationship with these suppliers, who have been consistently providing stable quality of raw materials to the Group. We aim to maintain ongoing mutual trust with these suppliers in order to achieve better payment terms and delivery schedule to suit our production need, which in turn enhance our production efficiency.

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

FINANCIAL REVIEW

The Group reported net loss of HK$68,518,000 for the year, as compared to the profit of HK$10,103,000 for the previous year. The key financial information which the management of the Group is of the opinion that can best measure the performance in respect of profitability, operating cashflow and financial position of the Group for the year is depicted as follows:

	2017 ***HK$'000***	2016 *HK$'000*	**Change**
OPERATING PERFORMANCE			
Revenue	**2,113,258**	1,703,255	**+24.1%**
Gross profit margin *(%)*	**9.3**	12.6	**–3.3pp**
EBITDA	**104,096**	175,264	**–40.6%**
EBITDA margin *(%)*	**4.9**	10.3	**–5.4pp**
(Loss) profit for the year	**(68,518)**	10,103	**N/A**
Net (loss) profit margin *(%)*	**–3.2**	0.6	**–3.8pp**
Basic (loss) earnings per share *(HK cents)*	**(3.56)**	0.53	**N/A**

	At 31 December		
	2017 ***HK$'000***	2016 *HK$'000*	**Change**
KEY FINANCIAL INFORMATION			
Total assets	**3,444,076**	3,037,042	**+13.4%**
Total liabilities	**2,052,548**	1,715,077	**+19.7%**
Equity attributable to equity holders of the Company	**1,391,528**	1,321,965	**+5.3%**
Net current assets	**300,480**	26,160	**+1048.6%**
Bank balances and cash (including pledged deposits)	**270,339**	308,355	**–12.3%**
Total interest bearing borrowings	**1,049,010**	1,133,763	**–7.5%**
Net interest bearing borrowings *(Note)*	**778,671**	825,408	**–5.7%**
Current ratio *(times)*	**1.18**	1.02	**N/A**
Gearing ratio *(%)*	**56.0**	62.4	**–6.4pp**

The Group recorded EBITDA of HK$104,096,000 for the year, decreased by 40.6% as compared to HK$175,264,000 for the previous year.

Note: Net interest bearing borrowings represents total interest bearing borrowings less bank balances and cash (including pledged bank deposits).

Revenue

Revenue of the Group amounted to HK$2,113,258,000 (2016: HK$1,703,255,000) for the year, increased by 24.1% over the previous year. The breakdown of revenue of the Group for the year is as follows:

	2017		2016		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cord	**1,805,523**	**85.4**	1,405,483	82.5	**+28.5**
Copper and brass products	**305,405**	**14.5**	318,434	18.7	**–4.1**
Sub-total	**2,110,928**	**99.9**	1,723,917	101.2	**+22.4**
Elimination of sales by Copper and brass products segment to Steel cord segment	**–**	**–**	(22,452)	(1.3)	**N/A**
Property rental	**2,330**	**0.1**	1,790	0.1	**+30.2**
Total	**2,113,258**	**100.0**	1,703,255	100.0	**+24.1**

Gross profit

Gross profit of the Group decreased by 9% over the previous year to HK$196,065,000 (2016: HK$215,414,000) for the year, which was mainly attributable to the substantial increase of raw material cost. The Group's gross profit margin also decreased by 3.3 percentage points over the previous year to 9.3% for the year. The breakdown of gross profit of the Group for the year is as follows:

	2017		2016		
	HK$'000	**Gross profit margin (%)**	*HK$'000*	Gross profit margin (%)	**% change**
Steel cord	**186,543**	**10.3**	203,587	14.5	**–8.4**
Copper and brass products	**7,412**	**2.4**	10,238	3.2	**–27.6**
Property rental	**2,110**	**90.6**	1,589	88.8	**+32.8**
Total	**196,065**	**9.3**	215,414	12.6	**–9.0**

Investment and other income

Investment and other income increased by 1.3 times over the last year to HK$3,817,000 (2016: HK$1,694,000) for the year, mainly as the amount of sales of scrap materials increased by 20 times over the previous year to HK$3,007,000 (2016: HK$143,000) for the year.

Other gains and losses

The Group recorded net loss of HK$22,873,000 on other gains and losses for the year, as compared to net gain of HK$4,491,000 for the previous year. The breakdown of other gains and losses for the year is as follows:

	Notes	**2017** ***HK$'000***	2016 *HK$'000*	**% change**
Foreign exchange gain (losses), net	*1*	**24,158**	(27,528)	**N/A**
Changes in fair value of investment properties		**23,820**	2,890	**+724.2**
Reversal of allowance for bad and doubtful debts, net and bad debts recovered		**2,428**	29,439	**–91.8**
Impairment loss recognised in respect of prepaid lease payments	*2*	**(72,523)**	–	**+100.0**
Change in fair value of financial liabilities designated as at FVTPL	*3*	**(1,467)**	–	**+100.0**
Others		**711**	(310)	**N/A**
Total (loss) gain		**(22,873)**	4,491	**N/A**

Notes:

1. The exchange rate of RMB quoted by the People's Bank of China (the "official RMB exchange rate") recorded an increase of approximately 7% against HKD over the year, against a decrease of 6.3% in the previous year. Attributable to the increase in the official RMB exchange rate during the year, the Group recorded foreign exchange gain on its HKD and USD denominated bank borrowings. Therefore the Group reported foreign exchange gain of HK$24,158,000 (2016: foreign exchange loss of HK$27,528,000) during the year.

2. This represented impairment loss recognised in respect of prepaid lease payments in relation to TESC during the year, details of which is illustrated above under the heading "*Impairment loss recognised in respect of prepaid lease payments*".

3. Please refer to the section "**FOREIGN CURRENCY AND INTEREST RATE EXPOSURE**" for details.

Distribution and selling expenses

Distribution and selling expenses amounted to HK$65,579,000 (2016: HK$49,877,000) for the year, increased by 31.5% over the previous year, as the sales revenue of Steel cord segment increased by 28.5%.

Administrative expenses

Administrative expenses amounted to HK$71,771,000 (2016: HK$71,899,000) for the year, decreased by 0.2% as compared to the previous year. As the revenue of the Group increased by 24.1% over the previous year, the ratio of administrative expenses to revenue therefore lowered from 4.2% in the previous year to 3.4% for the year.

Research and development expenses

Research and development expenses of the Group amounted to HK$62,385,000 (2016: HK$47,998,000) for the year, increased by 30.0% over the previous year. Such expenses were all incurred by Steel cord segment, which have been mentioned in "**Steel cord**" section above.

Segment results

Resulted from the decrease of gross profit and recognition of impairment loss in respect of prepaid lease payments, the Group recorded operating loss of HK$44,979,000 from its business segments for the year, as compared to operating profit of HK$112,181,000 for the previous year. The breakdown of the operating (loss) profit of the Group's business segments for the year is as follows:

	2017	2016	
	HK$'000	*HK$'000*	**% change**
Steel cord	**(47,106)**	110,191	**N/A**
Copper and brass products	**2,127**	1,990	**+6.9**
Total	**(44,979)**	112,181	**N/A**

Finance costs

Finance costs amounted to HK$52,487,000 for the year, increased by 14.4% as compared to HK$45,888,000 for the previous year. The increase was mainly attributable to the higher borrowing rates charged for the borrowings denominated in RMB as compared to those of the HKD and USD. The proportion of average interest bearing borrowings of the Group that are denominated in RMB increased from 39.2% for the previous year to 51.2% for the year.

Income tax credit

Income tax credit amounted to HK$6,695,000 for the year, increased by 60.7% as compared to HK$4,166,000 for the previous year. The increase was mainly attributable to a reversal of tax over-provision in prior years.

In respect of income tax rates, JESC has been recognised as a state-encouraged high-new technology enterprise in 2017 (2016: 2014) and thus entitled to a preferential tax rate of 15% in 2017, 2018 and 2019 (2016: 2014, 2015 and 2016). For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.5% (2016: 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% (2016: 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% (2016: 5%).

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$708,075,000 at 31 December 2017, increased by 21.6% as compared to HK$582,291,000 at the end of 2016. The increase was in line with the revenue growth of 24.1% during the year. The amount of allowance for bad and doubtful debts was increased by HK$613,000 mainly due to the appreciation of RMB exchange rate of approximately 7.0% over the year, the amount of allowance for bad and doubtful debts therefore increased from HK$19,129,000 at the end of 2016 to HK$19,742,000 at 31 December 2017.

The aged analysis of trade receivables (after allowance for bad and doubtful debts) of the Group as at 31 December 2017 and the comparison with the end of 2016 is as follows:

Age	**31 December 2017**	**%**	31 December 2016	%	**% change**
0 – 90 days	**535,777**	**77.8**	433,128	76.9	**+23.7**
91 – 180 days	**145,993**	**21.2**	115,298	20.5	**+26.6**
Over 180 days	**6,563**	**1.0**	14,736	2.6	**–55.5**
Total	**688,333**	**100.0**	563,162	100.0	**+22.2**

The overall quality of trade receivables had improved and was in manageable condition, as trade receivables aged within 180 days accounted for 99% of total trade receivables at 31 December 2017, increased by 1.6 percentage points as compared to 97.4% at the end of 2016. Further, the percentage of trade receivables which are past due but not impaired to total trade receivables decreased from 23.7% at the end of 2016 to 23.2% at 31 December 2017.

Regarding the balance of the allowance for bad and doubtful debts of HK$19,742,000 at 31 December 2017, they are mainly the receivables from sales of steel cord products, while we have doggedly pursued the recovery of these trade receivables, regrettably we consider that chances of a material recovery are scanty.

In respect of the trade receivables at 31 December 2017, approximately 57.5% has been subsequently settled by cash or bills receivable up to 22 March 2018. The details of subsequent settlement of trade receivables of the Group and from top five customers for the year are as follows:

	Total trade receivables of the Group		Trade receivables from top five customers of the Group	
Age	**Amount at 31 December 2017** *HK$'000*	**% of subsequent settlement**	**Amount at 31 December 2017** *HK$'000*	**% of subsequent settlement**
0-90 days	535,777	49.5	233,930	55.9
91-180 days	145,993	86.9	96,771	86.0
Over 180 days	6,563	55.9	199	91.6
Total	688,333	57.5	330,900	64.7

TREASURY AND FUNDING POLICIES

The treasury and funding policies of the Group concentrates 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 continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders.

There was no change in the total number of share capital of the Company during the year. The total number of issued share capital of the Company remained at 1,922,900,556 Shares at 31 December 2017. Net asset value of the Group was HK$1,391,528,000 at 31 December 2017, increased by 5.3% as compared to HK$1,321,965,000 at 31 December 2016. The increase in net asset value was attributable to the positive impact on appreciation of RMB exchange rate against HKD of approximately 7% throughout the year. Net asset value per Share was HK$0.724 at 31 December 2017, also increased by 5.3% as compared to HK$0.687 at 31 December 2016.

Cash flows
The Group generated net cash operating inflow of HK$110,247,000 for the year as follows:

	HK$'000
Net cash used in operating activities as per consolidated statement of cash flows	(155,678)
Add: Operating cash inflows not reflected in consolidated statement of cash flows (non-cash transactions):	
Bills receivable with full recourse that has been discounted to banks during the year	199,039
Bills receivable with full recourse that has been endorsed to creditors of the Group to settle payable for acquisition of property, plant and equipment during the year	66,886
Net operating cash inflow for the year	110,247

In respect of cash flows on other activities:

1. The Group incurred net cash outflow on investing activities of HK$53,542,000 during the year, in which HK$28,046,000 incurred mainly on the capital expenditures incurred by Steel cord segment; and

2. The Group recorded net cash inflow on financing activities of HK$90,959,000 during the year. When bank advances for discounted bills of HK$199,039,000 were excluded, the Group incurred net cash outflow of HK$108,080,000 on financing activities during the year, that 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 (including pledged bank deposits) amounted to HK$270,339,000 at 31 December 2017, decreased by 12.3% as compared to HK$308,355,000 at 31 December 2016. Total interest bearing borrowings of the Group (comprised of loans from related companies and bank borrowings) were HK$1,049,010,000 at 31 December 2017, decreased by 7.5% as compared to HK$1,133,763,000 at 31 December 2016. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash (including pledged bank deposits)) therefore decreased from HK$825,408,000 at 31 December 2016 to HK$778,671,000 at 31 December 2017;

At 31 December 2017, HK$331,211,000 of these interest bearing borrowings were floating-rate borrowings, while HK$717,799,000 of interest bearing borrowings were collared at rates ranging from 4.77% to 6.00% per annum. The nature and maturing profile of the Group's interest bearing borrowings at 31 December 2017, based on contracted repayment schedules were as follows:

	HK$'000	**% of total interest bearing borrowings**
Due in 2018 or on demand:		
– Short term bank loans	465,361	44.3
– Bank advances for discounted bills	37,403	3.6
– Loans from related companies	228,754	21.8
Total due in 2018	731,518	69.7
Due in 2019 or after		
– Non-current bank loans	300,000	28.6
– Loan from a related company	22,170	2.1
Total	1,053,688	100.4
Unamortised loan arrangement fees	(4,678)	(0.4)
Total	1,049,010	100.0

The Group planned to service the interest bearing borrowings due in 2018 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 (including pledged bank deposits) divided by Shareholders' equity) of the Group lowered from 62.4% at 31 December 2016 to 56% at 31 December 2017. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.18 times at 31 December 2017 as compared with to 1.02 times at 31 December 2016.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. The Group's bank balances and cash are therefore mainly in RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings. The respective currency composition of the Group's bank balances and cash (including pledged bank deposits) and interest bearing borrowings are as follows:

Bank balances and cash (including pledged bank deposits)

	31 December 2017		31 December 2016	
	HK$'000	**% of total bank balances and cash (including pledged bank deposits)**	*HK$'000*	% of total bank balances and cash (including pledged bank deposits)
RMB	**155,644**	**57.6**	90,941	29.5
HKD	**58,396**	**21.6**	184,735	59.9
USD	**40,193**	**14.9**	26,733	8.7
Other currencies	**16,106**	**5.9**	5,946	1.9
Total	**270,339**	**100.0**	308,355	100.0

Interest bearing borrowings

	31 December 2017		31 December 2016	
	HK$'000	**% of interest bearing borrowings**	*HK$'000*	% of interest bearing borrowings
RMB	**553,031**	**52.7**	565,959	49.9
HKD	**495,979**	**47.3**	566,338	50.0
USD	**–**	**–**	1,466	0.1
Total	**1,049,010**	**100.0**	1,133,763	100.0

In respect of exposure to interest rate risk, even though the Group had HK$331,211,000 of interest bearing borrowings at 31 December 2017 that are at floating rates, 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 all of these floating rate borrowings are for a term of less than one year at the end of reporting period. While the interest rate of USD is expected to rise, we do not anticipate an aggregate level of magnitude arisen in 2018 that justifies the cost of entering a hedging mechanism.

During the year under review, the exchange rate of RMB has appreciated by approximately 7% against HKD. The appreciation of RMB exchange rate will have positive 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 entered into derivative financial instruments to hedge against foreign currency risk. The Group has recorded losses of HK$1,467,000 from change in fair value of derivative financial instruments due to appreciation of RMB during the year. Furthermore, we will 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$109,458,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The capital expenditures to be incurred in 2018 are estimated to be approximately HK$21,762,000, 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 wire products. The research and development expenses to be incurred in 2018 are estimated to be maintained at a similar level to the year under review, i.e. within the range of 3% to 4% of total revenue of Steel cord segment for the year 2018.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2017, the Group had a total of 2,270 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$24,227,000.

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 and lapsed under the 2012 Scheme while only 3,268,000 share options lapsed under the 2002 Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 31 December 2017.

At 31 December 2017, the following assets had been pledged to the Group's bankers and a related company for banking facilities and bills payable issued and to secure loan from a related company granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK$215,187,000;

2. Plant and machinery with an aggregate amount of HK$100,004,000;

3. Bank deposit amounting to HK$59,780,000;

4. Pledged deposits on loan from a related company amounting to HK$8,374,000; and

5. Prepaid lease payments with an aggregate amount of HK$69,211,000.

PROGRESS ON 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 2016, the Company and Zaozhuang Mining entered into a second supplemental memorandum of understanding (the "Second Supplemental MOU") pursuant to which the parties agreed to, among other things, further extend the long stop date to the effect that the formal agreement shall be entered into within 4 years from the date of the memorandum of understanding dated 13 July 2014 (the "MOU"), that is, by 12 July 2018 (or such other later date as agreed by the parties) because of the challenging market conditions in the steel cord and tyre markets. Both parties agreed to allow more time to observe the macroeconomic conditions and will proceed when circumstances warrant and are opportune. Save and except the amendments under the Second Supplemental MOU, all the terms and conditions of the MOU and the supplemental memorandum of understanding dated 30 June 2015 (the Supplemental 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 Zaozhang Mining and its subsidiaries.

Details regarding the MOU, the Supplemental MOU and the Second Supplemental MOU can be referred to announcements of the Company dated 13 July 2014, 30 June 2015 and 30 June 2016 respectively.

The management of the Company will seek further dialogue with the current counterpart of Zaozhuang Mining in the near future to clarify if the MOU is to be further extended or the proposal of capital injection and the strategic cooperation should cease.

The Company will comply with any applicable requirements prescribed by the Listing Rules and/or the Inside Information Provisions as and when appropriate and further announcement(s) will be made by the Company with respect to any material development as and when required.

BUSINESS OUTLOOK

The risks associated with a faster United States ("US") interest rate normalization cycle, the fluctuation in RMB exchange rate, continuous consolidation within industries with over-capacity, and last but not least, the knock-on effect of the rise of protectionism triggered by the US administration are making the operating environment constantly in flux. On the other side of the globe, we believe that China will enjoy broader space for its economic development and investment given the launching of the "One-Belt-One-Road" initiative. However, we stay watchful on the price fluctuation of the commodities central to the cost of sales of our Steel cord and Copper and brass products segments. The RMB/USD exchange rate is expected to undulate further and together with increasingly stringent requirements on environmental protection, we expect the market climate in 2018 to be mercurial. In view of these macro-challenges, the Group has made personnel and capital investment plan changes at the beginning of the year with a "Quality over Quantity" focus and the following steps will continue to be implemented:–

- Use our best endeavors to minimize costs, amass cash and restore profitability;
- Maintain its receivable collection effort;
- Monitor currency and interest rate fluctuations, and execute appropriate hedging measures to reduce our exposure; and
- Persistence in research and development

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018, 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 Friday, 18 May 2018, 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. (Hong Kong time) on Friday, 11 May 2018.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognises that an 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 2017, except two 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 had maintained a high attendance rate and active participation had been achieved by all Directors throughout 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 group 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.

Note:

Mr. Li Shaofeng and Mr. Yang Kaiyu had resigned as the chairman and the managing director of the Company on 18 January 2018 and 31 January 2018 respectively, which Mr. Su Fanrong had taken up the two roles altogether, therefore deviated from the code provision A.2.1 of the Code which stipulates that the roles of chairman and general manager should be separate and should not be performed by the same person. In consideration of Mr. Su Fanrong's extensive knowledge and experience in various aspects, in particular the management in the steel industry and sales area, the Board considers this present arrangement still enables the Company to make decisions promptly in the formulation and implementation of the Company's strategies in achieving corporate goals. Notwithstanding the deviation, the Board is of the view that there are sufficient checks and balances amongst the board to reach decisions in the interests of the Company and its shareholders as a whole. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the general manager to two individuals.

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 2017 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 express our heartfelt thanks to our stakeholders for their continuous trust and support. I also wish to extend my sincere gratitude to all the employees of the Company for their contributions to the development of the Group. Last but not least, I would like to take this opportunity to thank Mr. Li Shaofeng, our former chairman for his great contribution over the past years 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 SFO) of the Company
"Board"	the board of Directors
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Inside Information Provisions"	Part XIVA of the SFO
"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)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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
Su Fanrong
Chairman and Managing Director

Hong Kong, 22 March 2018

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

Mr. Su Fanrong (Chairman and 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 2017 will be despatched to Shareholders and made available on the above websites in due course.

* *For identification purpose only*