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Nickel Resources International Holdings Company Limited
鎳資源國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2889)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

	For the year ended	
	31 December	
	2015	2014
	HK\$'000	HK\$'000
Revenue	38,697	336,403
Gross Loss	(85,143)	(165,494)
Loss before Interest, Tax, Depreciation and Amortisation [#]	(244,264)	(329,069)
Loss before Tax	(1,223,212)	(1,465,418)
Loss Attributable to Equity Holders of the Company	(1,222,916)	(1,453,133)
Gross Loss Margin	(220.0%)	(49.2%)
LBITDA Margin	(631.2%)	(97.8%)

[#] Loss before Interest, Tax, Depreciation and Amortisation (“LBITDA”) also excluded impairment losses of property, plant and equipment of HK\$440.4 million (2014: HK\$597.4 million).

The board of directors (the “Board” or the “Directors”) of Nickel Resources International Holdings Company Limited (the “Company”) would like to announce the audited results of the Company and its subsidiaries (collectively referred as to the “Group”) for the year ended 31 December 2015 together with the comparative figures for the corresponding year in 2014:

BOARD’S CONSIDERATION — MITIGATION MEASURES TO GOING CONCERN ISSUE

The Board has given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group would have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (1) In January 2016, the Group has successfully obtained a 3-year syndicated loan of approximately RMB498 million (equivalent to HK\$595 million) from a syndicate of banks in the People’s Republic of China (“PRC”) (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of HK\$320,625,000 and HK\$95,175,000, respectively with the syndicated loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of approximately RMB150 million (the “New Facilities”) for a 3-year term. The syndicated loan is interest-bearing at 5.225% per annum and is secured by certain property, plant and equipment and prepaid land lease payments of certain subsidiaries of the Group. The Group is required to fulfill certain undertakings and restrictive covenant requirements under these syndicated loan facilities. Up to the date of this announcement, approximately RMB30 million of the New Facilities have been drawn down.
- (2) On 5 March 2016, the Company and a potential investor (the “Potential Investor” or “Subscriber”) entered into a share subscription agreement that the Subscriber agreed to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of approximately HK\$0.1876 per share (the “Subscription Shares”), with proposed gross proceeds totalling approximately HK\$275 million (the “Subscription”), subject to certain conditions precedent which, among others, include the following:
 - approval from the Company’s shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company (“EGM”);
 - a Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong (“SFC”) in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;

- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the “Special Deal”);
- approval of resumption of trading of the Company’s shares, and listing of the Subscription Shares from The Stock Exchange of Hong Kong Limited (the “Stock Exchange”); and
- completion of a debt restructuring by the Company in accordance with Section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Debt Restructuring Proposal”). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction of and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

Financial advisor and debt restructuring scheme advisor have been appointed by the Company to facilitate the Subscription and Debt Restructuring Proposal. The Subscription is not yet completed as at the date of this announcement.

- (3) The Group has been actively negotiating with the holders of the 12% Coupon Senior Bonds, the 8% Coupon Convertible Bonds and Modified 10% Coupon Bonds with carrying amounts of HK\$390,990,000, HK\$117,525,000 and HK\$28,400,000, respectively at 31 December 2015 for the execution of the Debt Restructuring Proposal as stated above. The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.
- (4) In relation to the bank loans and notes payables to the extent of HK\$157,853,000 and HK\$139,449,000, respectively not covered by the syndicated loan as stated above, the following measures have been taken by the Group:
 - the USD secured bank loans of HK\$39,530,000 that became due as at 31 December 2015 when the Group failed to make interest payment and notes payable of HK\$78,222,000 that were overdue as at and after 31 December 2015 had been settled mainly by utilising the Group’s pledged time deposits of HK\$39,270,000 and HK\$78,222,000, respectively during February to March 2016;
 - other unsecured bank loan of HK\$52,675,000 was settled by the Group in February 2016, which was financed by borrowings from a related party of the Potential Investor of RMB50 million obtained in January 2016;
 - actively negotiating with a bank for the extension of its RMB secured bank loans and notes payable to the extent of HK\$65,648,000 and HK\$34,615,000, respectively for a term of 3 years; and
 - actively negotiating with other relevant banks for the remaining notes payables to the extent of HK\$26,612,000 on any possible refinancing arrangements.

- (5) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. (“Beijing Wincapital”) in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited (“SEAM”), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US\$150 million (equivalent to approximately HK\$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of this announcement. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed.

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group in the aggregate amount of RMB700 million (equivalent to approximately HK\$836 million) as at 31 December 2015. Such borrowings can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

As at 31 December 2015, all of these loans were overdue for repayments. Up to the date of this announcement, the Group has not received any letter from these lenders demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayments of these loans to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for both parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

- (6) Apart from the borrowings mentioned in (1) to (5) above, the Group had other borrowings from certain related parties of the Group, related parties of the Potential Investor and other third parties of HK\$90,262,000, HK\$189,676,000 and HK\$70,105,000, respectively that were overdue as at 31 December 2015. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor (including the additional borrowing from a related party of the Potential Investor of RMB50 million obtained by the Group in January 2016 as stated in (4) above) for a term of 2 years is currently under discussion.
- (7) The Group is also negotiating with various financial institutions and identifying various options for financing the Group’s working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.
- (8) The Group is also maximising its sales effort, including speeding up sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows. Subsequent to the year end, the Group received certain new orders of its stainless steel products from an independent third party and advance deposit payments of approximately RMB50 million were received in March 2016.
- (9) The Group has engaged legal advisors to handle all claims and disputes. The directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes with no significant cash outflows in the next twelve months.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	4	38,697	336,403
Cost of sales		<u>(123,840)</u>	<u>(501,897)</u>
Gross loss		(85,143)	(165,494)
Other gains, net	4	50,272	18,855
Selling and distribution expenses		(2,579)	(10,036)
Administrative expenses		(191,315)	(176,980)
Finance income	6	8,064	145,079
Finance costs	6	(451,264)	(559,261)
Other expenses	5	(110,891)	(36,740)
Impairment losses on property, plant and equipment	5	(440,356)	(597,392)
Provision for impairment of loan to an associate	5	–	(56,975)
Share of loss of an associate		–	<u>(26,474)</u>
Loss before income tax	5	(1,223,212)	(1,465,418)
Income tax (expense)/credit	7	<u>(1,141)</u>	<u>11,205</u>
Loss for the year		<u>(1,224,353)</u>	<u>(1,454,213)</u>
Attributable to:			
Equity holders of the Company		(1,222,916)	(1,453,133)
Non-controlling interests		<u>(1,437)</u>	<u>(1,080)</u>
		<u>(1,224,353)</u>	<u>(1,454,213)</u>
Loss per share attributable to equity holders of the Company			
— Basic (HK dollar)	9	<u>(0.44)</u>	<u>(0.57)</u>
— Diluted (HK dollar)	9	<u>(0.44)</u>	<u>(0.57)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss for the year	<u>(1,224,353)</u>	<u>(1,454,213)</u>
Other comprehensive income/(loss)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>25,059</u>	<u>(9,022)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>25,059</u>	<u>(9,022)</u>
Total comprehensive loss for the year	<u><u>(1,199,294)</u></u>	<u><u>(1,463,235)</u></u>
Attributable to:		
Equity holders of the Company	<u>(1,197,511)</u>	<u>(1,462,250)</u>
Non-controlling interests	<u>(1,783)</u>	<u>(985)</u>
	<u><u>(1,199,294)</u></u>	<u><u>(1,463,235)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 31 December 2015

		As at 31 December	
		2015	2014
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		619,540	1,178,003
Prepaid land lease payments		178,753	196,418
Intangible asset		2,384,543	2,384,543
Interest in an associate		–	–
Deferred tax assets		–	1,115
Other non-current assets		1,324	3,846
		<u>3,184,160</u>	<u>3,763,925</u>
Current assets			
Inventories		228,370	307,035
Trade and notes receivables	10	7,213	23,248
Prepayments, deposits and other receivables		215,305	254,565
Restricted cash		12,294	–
Pledged time deposits		117,738	1,007,304
Cash and cash equivalents		14,337	11,520
		<u>595,257</u>	<u>1,603,672</u>
Total assets		<u><u>3,779,417</u></u>	<u><u>5,367,597</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		276,654	267,854
Reserves		(45,690)	1,118,058
		<u>230,964</u>	<u>1,385,912</u>
Non-controlling interests		<u>6,682</u>	<u>8,465</u>
Total equity		<u><u>237,646</u></u>	<u><u>1,394,377</u></u>

		As at 31 December	
		2015	2014
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Other long term payables		9,073	9,886
Deferred tax liabilities		1,285	1,365
		<u>10,358</u>	<u>11,251</u>
Current liabilities			
Trade payables	<i>11</i>	118,009	124,286
Notes payables	<i>11</i>	234,624	797,528
Other payables and accruals		902,154	500,477
Bank and other borrowings		2,083,431	2,273,465
Convertible bonds		117,525	143,925
Derivative financial instruments		41,769	84,373
Tax payable		33,901	37,915
		<u>3,531,413</u>	<u>3,961,969</u>
Total liabilities		<u>3,541,771</u>	<u>3,973,220</u>
Total equity and liabilities		<u>3,779,417</u>	<u>5,367,597</u>
Net current liabilities		<u>(2,936,156)</u>	<u>(2,358,297)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Nickel Resources International Holdings Company Limited, formerly known as China Nickel Resources Holdings Company Limited, (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 11 March 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (collectively referred to as the “Group”) is located at No. 7, Block F, Runhua Business Garden, No. 24, Jinshui Road, Jinshui District, Zhengzhou City, Henan Province, the People’s Republic of China (the “PRC”), 450012. The principal place of business of the Company is located at Room 3501, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

Effective on 18 January 2016, the Company’s name was changed from “China Nickel Resources Holdings Company Limited” to “Nickel Resources International Holdings Company Limited” following a special resolution passed by the Company’s shareholders at the Extraordinary General Meeting (“EGM”) and a Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 18 January 2016.

The principal activities of the Company are investment holdings and the trading of ore. The Group is principally engaged in the manufacture and sale of iron and special steel products in the PRC and the trading of ore. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

In the opinion of the directors of the Company (the “Directors”), Easyman Assets Management Limited (“Easyman”), a company incorporated in the British Virgin Islands (“BVI”) and wholly owned by Mr. Dong Shutong (“Mr. Dong”), is the ultimate holding company of the Group. Mr. Dong is regarded as ultimate controlling party.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), unless otherwise stated, and have been approved for issue by the board of Directors on 30 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and liabilities (including derivative financial instruments) are measured at fair value, as appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) *Going concern*

During the year ended 31 December 2015, the Group incurred a net loss of approximately HK\$1,224,353,000 and had a net operating cash outflow of approximately HK\$650,220,000 due to the market downturn and significant change in operating and regulatory environment of the Group's subsidiaries. As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$2,936,156,000. The Group's total borrowings amounted to HK\$2,435,580,000, which comprised bank and other borrowings, convertible bonds and notes payables of HK\$2,083,431,000 (2014: HK\$2,273,465,000), HK\$117,525,000 (2014: HK\$143,925,000) and HK\$234,624,000 (2014: HK\$797,528,000), respectively as at 31 December 2015. Cash and cash equivalents amounted to HK\$14,337,000 as at 31 December 2015.

As at 31 December 2015, the Group's borrowings to the extent of HK\$2,276,050,000 were either overdue or due for immediate repayment despite the original contractual repayment dates of some of these borrowings are beyond twelve months after 31 December 2015. This is mainly because:

- (i) on 19 December 2014, the Group failed to make interest payment totalling HK\$16,108,000 under the relevant terms and conditions of its Modified 10% Coupon Bonds, 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds (together the "Bonds"). This constituted an event of default under the respective terms of the Bonds. During the year ended 31 December 2015, the Group also failed to pay further interest payment of the Bonds of HK\$64,344,000. As a result, the outstanding principal amounts of the Bonds totaling HK\$536,915,000 became immediately due and payable, out of which the 12% Coupon Senior Bonds and 8% Coupon Convertible Bonds of HK\$390,990,000 (2014: HK\$390,990,000) and HK\$117,525,000 (2014: HK\$143,925,000), respectively with original contractual repayment date in 2018 have been reclassified as current liabilities as at 31 December 2015;
- (ii) as at 31 December 2015, certain bank loans, other loans, other borrowings and notes payables to the extent of HK\$125,328,000, HK\$835,520,000, HK\$259,781,000 and HK\$192,807,000, respectively (totaling HK\$1,413,436,000) had become overdue;
- (iii) the above events constituted events of cross-default for certain USD secured bank loans, RMB secured bank loans and unsecured bank loans to the extent of HK\$39,530,000, HK\$59,680,000 and HK\$83,552,000, respectively (totaling HK\$182,762,000). Consequently, these borrowing became immediately due and payable. As these borrowings were all due for repayment within one year, the event of cross-default has not resulted in their reclassification; and
- (iv) an unsecured bank loan of HK\$52,675,000 and amounts due to related parties of HK\$90,262,000 were on repayable on demand terms.

Together with the relevant accrued interest of the abovementioned borrowings to the extent of HK\$404,350,000 as at 31 December 2015 included in other payables and accruals, the aggregate borrowings and interest thereon that were either overdue or due for immediate repayment amounted to HK\$2,680,400,000 as at 31 December 2015.

Furthermore, subsequent to 31 December 2015 and up to the date of approval of the consolidated financial statements, the Group failed to (i) make further interest payment on the Bonds totalling HK\$14,042,000; and (ii) repay the principal amount of unsecured bank loans and notes payable to the extent of HK\$58,033,000 and HK\$40,743,000, respectively when the amounts became due.

In addition, the Company and a subsidiary are parties to various legal claims as detailed in Note 12.

The aforementioned conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern such that it may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve its financial position which include, but not limited to, the following:

- (1) In January 2016, the Group has successfully obtained a 3-year syndicated loan of approximately RMB498 million (equivalent to HK\$594,840,000) from a syndicate of banks in the PRC (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of HK\$320,625,000 and HK\$95,175,000, respectively with the syndicated loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of approximately RMB150 million (the "New Facilities") for a 3-year term. The syndicated loan is interest-bearing at 5.225% per annum and is secured by certain property, plant and equipment and prepaid land lease payments of certain subsidiaries of the Group. The Group is required to fulfill certain undertakings and restrictive covenant requirements under these syndicated loan facilities. Up to the date of approval of the consolidated financial statements, approximately RMB30 million of the New Facilities have been drawn down.
- (2) On 5 March 2016, the Company and a potential investor (the "Potential Investor" or "Subscriber") entered into a share subscription agreement to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of HK\$0.1876 per share (the "Subscription Shares"), with proposed gross proceeds totalling approximately HK\$275 million (the "Subscription"), subject to certain conditions precedent which, among others, include the following:
 - approval from the Company's shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company ("EGM");
 - a Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong ("SFC") in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer in cash for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;
 - the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the "Special Deal");
 - approval of resumption of trading of the Company's shares, and listing of the Subscription Shares from the Stock Exchange; and
 - completion of a debt restructuring by the Company in accordance with Section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Debt Restructuring Proposal"). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding accrued interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

Financial advisor and debt restructuring scheme advisor have been appointed by the Company to facilitate the Subscription and Debt Restructuring Proposal. The Subscription is not yet completed as at the date of approval of the consolidated financial statements.

- (3) The Group has been actively negotiating with the holders of the 12% Coupon Senior Bonds, the 8% Coupon Convertible Bonds and Modified 10% Coupon Bonds with carrying amounts of HK\$390,990,000, HK\$117,525,000 and HK\$28,400,000, respectively at 31 December 2015 for the execution of the Debt Restructuring Proposal, as stated above. The Company is also actively negotiating with other creditors of the Company for the execution of the Debt Restructuring Proposal.
- (4) In relation to the bank loans and notes payables to the extent of HK\$157,853,000 and HK\$139,449,000, respectively not covered by the syndicated loan as stated above, the following measures have been taken by the Group:
 - the USD secured bank loans of HK\$39,530,000 that became due as at 31 December 2015 when the Group failed to make interest payment and notes payable of HK\$78,222,000 that were overdue as at and after 31 December 2015 had been settled mainly by utilising the Group's pledged time deposits of HK\$39,270,000 and HK\$78,222,000, respectively during February to March 2016;
 - other unsecured bank loan of HK\$52,675,000 was settled by the Group in February 2016, which was financed by borrowings from a related party of the Potential Investor of RMB50 million obtained in January 2016;
 - actively negotiating with a bank for the extension of its RMB secured bank loans and notes payable to the extent of HK\$65,648,000 and HK\$34,615,000, respectively for a term of 3 years; and
 - actively negotiating with other relevant banks for the remaining notes payables to the extent of HK\$26,612,000 on any possible refinancing arrangements.
- (5) On 21 January 2013, the Group entered into a non-binding framework agreement with Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital") in relation to the disposal of a 30% equity interest in S.E.A. Mineral Limited ("SEAM"), a wholly-owned subsidiary of the Group. The aggregate disposal consideration is expected to be approximately US\$150 million (approximately HK\$1,170 million). The proposed transaction is yet to complete and no formal sales and purchase agreement has been entered into up to the date of approval of the consolidated financial statements. Longer than expected time was spent on negotiation of the detailed terms and conditions because of the rapid change in operating and regulatory environment of SEAM since the framework agreement was signed.

In connection with the proposed disposal, Beijing Wincapital arranged certain loan finance to the Group in the aggregate amount of RMB700 million (equivalent to approximately HK\$836 million) as at 31 December 2015. Such borrowings can be settled by offsetting against the disposal consideration should the proposed disposal be completed.

As at 31 December 2015, all of these loans were overdue for repayments. Up to the date of approval of the consolidated financial statements, the Group has not received any letter from these lenders demanding for repayment of these loans. Management is currently negotiating with the relevant parties to formally extend the repayments of these loans to facilitate the completion of the proposed disposal. Management believes that with bona fide intention for both parties, the proposed disposal will be completed and the Group will be able to offset all these borrowings against the disposal consideration.

- (6) Apart from the borrowings mentioned in (1) to (5) above, the Group had other borrowings from certain related parties of the Group, related parties of the Potential Investor and other third parties of HK\$90,262,000, HK\$189,676,000 and HK\$70,105,000, respectively that were overdue as at 31 December 2015. The Group has been actively negotiating with the lenders for the renewal and extension of the repayment dates of these borrowings, of which an extension of the repayments of the borrowings from related parties of the Potential Investor (including the additional borrowing from a related party of the Potential Investor of RMB50 million obtained by the Group in January 2016 as stated in (4) above) for a term of 2 years is currently under discussion.
- (7) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future, including identification of potential investors to invest in various projects undertaken by the Group.
- (8) The Group is also maximising its sales effort, including speeding up of sales of its existing inventories and seeking new orders from overseas markets or new customers on developed new products, and implementing more stringent cost control measures with a view to improving operating cash flows. Subsequent to the year end, the Group received certain new orders of its stainless steel products from an independent third party and advance deposit payments of approximately RMB50 million were received in March 2016.
- (9) The Group has engaged legal advisors to handle all claims and disputes as detailed in Note 12. In preparing the consolidated financial statements, the directors have also obtained advice from legal advisors on these matters and, based upon which, are of the view that the Group will be able to resolve those outstanding claims and disputes with no significant cash outflows in the next twelve months.

The directors have reviewed the Group's cash flow projections prepared by management that covered a period of not less than twelve months from 31 December 2015. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2015. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant multiple uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to manage its indebtedness, and generate adequate financing and operating cash flows through:

- (1) successful completion of the issuance of the Subscription Shares after fulfilling all conditions precedent as detailed, but not limited to, above and in particular by the successful completion of the Debt Restructuring Proposal;
- (2) successful negotiation with the holders of its 12% Coupon Senior Bonds, the 8% Coupon Convertible Bonds and Modified 10% Coupon Bonds, together with other creditors of the Company, for agreeing on the execution and completion of the Debt Restructuring Proposal;
- (3) successful negotiation with the banks for the extension of the existing RMB secured bank loans and extension/refinancing of the remaining notes payables;
- (4) successful negotiation with the financiers to extend the repayment dates of their loans to the Group until completion of the proposed disposal of the 30% interest in SEAM, at a disposal consideration of US\$150 million, and be able to collect the remaining disposal consideration of approximately US\$43 million (equivalent to approximately HK\$335 million) in full immediately upon completion of the transaction after properly offsetting the disposal consideration against the above-mentioned borrowings of RMB700 million;

- (5) successful negotiation with the related parties of the Group, related parties of the Potential Investor and other third party lenders for extension of their relevant borrowings, by maintaining relationship with them such that no action will be taken by these lenders to demand immediate repayment of the overdue borrowings under negotiation;
- (6) successful negotiation with the lenders for obtaining additional new financing and other sources of funding as and when required;
- (7) successful implementation of its operation plans described above to control costs and generate adequate operating cash flows; and
- (8) successful resolution of the outstanding claims and disputes without significant cash outflows in the next twelve months.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(b) Changes in accounting policy and disclosures

(a) Effect of adopting amendments to existing standards

The following amendments to existing standards are mandatory for accounting periods beginning on or after 1 January 2015. The adoption of these amendments to existing standards does not have any significant impact to the results and financial position of the Group.

IAS 19 (amendment)	Defined Benefit Plans: Employee Contributions
IFRSs (amendment)	Annual Improvements 2010–2012 cycle and 2011–2013 cycle

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) *New standards and amendments to existing standards that have been issued but are not effective*

IAS 1 (amendment)	Disclosure Initiative ⁽¹⁾
IAS 16 and IAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁽¹⁾
IAS 16 and IAS 41 (amendment)	Agriculture: Bearer Plants ⁽¹⁾
IAS 27 (amendment)	Equity Method in Separate Financial Statements ⁽¹⁾
IAS 28 and IFRS 10 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾
IAS 28, IFRS 10 and IFRS 12 (amendment)	Investment Entities: Applying the Consolidation Exception ⁽¹⁾
IFRS 9	Financial Instruments ⁽²⁾
IFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations ⁽¹⁾
IFRS 14	Regulatory Deferral Accounts ⁽¹⁾
IFRS 15	Revenue from Contracts with Customers ⁽²⁾
IFRS 16	Leases ⁽³⁾
IFRSs (amendment)	Annual Improvements 2012-2014 cycle ⁽¹⁾

⁽¹⁾ Effective for the accounting period beginning on 1 January 2016

⁽²⁾ Effective for the accounting period beginning on 1 January 2018

⁽³⁾ Effective for the accounting period beginning on 1 January 2019

⁽⁴⁾ Effective date to be determined

The Directors are in the process of assessing the impact of the adoption of these new standards and amendments to standards on the results and financial position of the Group.

3 SEGMENT INFORMATION

For management purposes, the Group has one reportable operating segment: the trading of ore and the manufacturing and sale of iron and special steel products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) *Revenue from external customers*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland China	26,174	288,203
Singapore	7,507	32,413
Taiwan	5,016	15,787
	<u>38,697</u>	<u>336,403</u>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mainland China	797,533	1,375,396
Indonesia	2,384,896	2,385,048
Others	1,731	2,366
	<u>3,184,160</u>	<u>3,762,810</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

Information about major customers

Revenue of approximately HK\$12,113,000 (2014: HK\$189,666,000) and HK\$5,272,000 (2014: HK\$154,305,000) was derived from sales to the Group's three largest customers and the Group's largest customer, respectively.

4 REVENUE AND OTHER GAINS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue		
Sale of goods:		
Limonic ores	–	52,111
Stainless steel products	10,543	171,913
Ni-Cr alloy steel ingot	9,057	50,335
Ferro-nickel alloys and others	19,097	62,044
	<u>38,697</u>	<u>336,403</u>
Other gains, net		
Changes in fair value of derivative financial instruments	27,128	19,832
Gain/(loss) on disposal of property, plant and equipment, net	10,872	(702)
Foreign exchange gains/(losses), net	11,751	(2,357)
Others	521	2,082
	<u>50,272</u>	<u>18,855</u>

5 LOSS BEFORE INCOME TAX

The Group's loss before income tax is stated at after charging the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Costs of inventories sold	44,157	480,485
Employee benefits expense	64,378	69,603
Research expenses	800	2,801
Auditors' remuneration		
— Current year	3,963	3,950
— Under-provision in prior year	–	1,113
Depreciation	90,378	116,454
Amortisation of prepaid land lease payments	5,014	5,078
Amortisation of intangible asset	–	3,243
Minimum lease payments under operating leases in respect of buildings and equipment	8,314	7,969
Provision for impairment losses of inventories	79,683	19,481
Provision for impairment of property, plant and equipment	440,356	597,392
Provision for impairment of loan to an associate	–	56,975
Provision for impairment of trade receivables*	–	16,405
Provision for impairment of prepayments and other receivables*	25,570	7,306
Provision for claims and disputes*	85,321	13,029

* Included in other expenses

6 FINANCE COSTS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finance income		
Interest income on time deposits	8,064	21,193
Gain on restructure of convertible bonds and senior bonds	—	123,886
	<u>8,064</u>	<u>145,079</u>
Finance costs		
Interest on bank and other borrowings	(440,722)	(311,962)
Interest on convertible bonds	(10,542)	(36,628)
Acceleration of unwinding interest on convertible bonds and senior bonds	—	(210,671)
	<u>(451,264)</u>	<u>(559,261)</u>
Finance costs, net	<u>(443,200)</u>	<u>(414,182)</u>

7 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which the Group's entities are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The applicable Hong Kong profits tax rate of the Company, and its subsidiaries, which operate in Hong Kong, is 16.5% (2014: 16.5%).

The applicable income tax rate of the Group's Singaporean subsidiary, CNR Group Holding Pte Ltd ("CNR Singapore"), is 17% (2014:17%). Effective 1 July 2013, CNR Singapore has been granted to a tax concessionary rate of 10% as it was awarded Global Trader Programme ("GTP") status by International Enterprise Singapore for a period of five and a half years from 1 July 2013 to 31 December 2018. In February 2015, CNR Singapore withdrew its GTP status to minimise its compliance costs.

The subsidiaries of the Company incorporated in Indonesia are subject to a single income tax rate of 25% (2014: 25%).

According to the PRC Corporate Income Tax Law, the applicable income tax rate of the Group's PRC subsidiaries is 25% for the year (2014: 25%).

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax:		
— Mainland China	26	(13,872)
— Singapore	—	1,856
Deferred income tax	<u>1,115</u>	<u>811</u>
Income tax expense/(credit)	<u>1,141</u>	<u>(11,205)</u>

8 DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

9 LOSS PER SHARE

Basic

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares of 2,751,501,842 (2014: 2,568,086,775) in issue during the year.

Diluted

The calculation of the diluted loss per share for the year ended 31 December 2015 is based on the loss for the year attributable to equity holders of the Company, adjusted to reflect the interest on and change in fair value of the derivative component of the convertible bonds and share options. The weighted average number of ordinary shares used in the calculation is the weighted average number of the ordinary shares in issue during the year, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

Diluted loss per share is the same as basic loss per share for the years ended 31 December 2015 and 2014 because the impact of dilution of the convertible bonds and share options is anti-dilutive.

10 TRADE AND NOTES RECEIVABLES

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000
Trade receivables	(a)	33,833	59,697
Notes receivables	(b)	334	3,245
		34,167	62,942
Less: provision for impairment losses		(26,954)	(39,694)
		7,213	23,248

The Group's trading terms with its customers are mainly on credit, except for new customers and customers of limonitic ores, where payment in advance is normally required. The credit period is generally one to two months. During the year, the Group generated its revenue from sales of ore and special steel products to other steel producers, thereby exposing the Group to concentration of credit risk in the steel industry. The Group does not hold any collateral or other credit enhancements over these balances. Trade and notes receivables are non-interest-bearing. The carrying amounts of trade and notes receivables approximate their fair values.

Note:

(a) Trade receivables

An ageing analysis of trade receivables at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	1,966	6,038
91 to 180 days	–	1,649
181 to 365 days	4,913	12,208
Over 1 year	26,954	39,802
	<u>33,833</u>	<u>59,697</u>

(b) Notes receivables

As at the end of the reporting period, the maturity period of the Group's notes receivables is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	215	2,841
91 to 180 days	119	404
	<u>334</u>	<u>3,245</u>

11 TRADE AND NOTES PAYABLES

		2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	118,009	124,286
Notes payables	<i>(b)</i>	234,624	797,528
		<u>352,633</u>	<u>921,814</u>

Note:

(a) Trade payables

An ageing analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	8,646	7,377
91 to 180 days	1,836	15,584
181 to 365 days	6,134	18,530
1 to 2 years	24,654	29,628
2 to 3 years	45,441	29,182
Over 3 years	31,298	23,985
	<u>118,009</u>	<u>124,286</u>

Trade payables are normally settled on terms of 60 to 180 days. The carrying amounts of trade payables approximate their fair values at the end of the reporting period.

(b) Notes payables

An ageing analysis of the notes payables of the Group at 31 December 2015 is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	1,432	459,082
91 to 180 days	40,385	338,446
181 to 365 days	47,385	–
1 to 2 years	145,422	–
	<u>234,624</u>	<u>797,528</u>

At 31 December 2015, notes payables of HK\$234,624,000 (2014: HK\$797,528,000) were denominated in RMB and secured by time deposits of HK\$78,455,000 (2014: HK\$471,994,000). The carrying amounts of notes payables approximate their fair values at the end of the reporting period.

12 CONTINGENT LIABILITIES

The Group follows the guidance of IAS37 “Provisions, Contingent Liabilities and Contingent Assets” to determine when contingent liabilities should be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group’s control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group’s financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsels and advisors, and the management’s intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

(a) Litigation with Rock Resource Limited (“RR”) and United Mineral Limited (“UM”) (collectively referred to as the “Buyers”)

In March 2014, the Company received certain legal letters (the “Letters”) from the Buyers dated 20 March 2014, which purported to be statutory demands serviced to the Company pursuant to section 178(1)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (“Statutory Demand”).

The Letters concern disputes between the Group and the Buyers relating to certain primary contracts for the sale and purchase of Indonesian iron ores, and contain claims for (i) an amount of US\$10,347,698 (equivalent to approximately HK\$80,242,000) which comprises the demand for return of an advance payment made by RR to the Group of US\$3,000,000 (equivalent to approximately HK\$23,264,000) and interest thereon to the extent of US\$7,347,698 (equivalent to approximately HK\$56,978,000) payable up to 20 March 2014; and (ii) an amount of RMB70,355,783 (equivalent to approximately HK\$89,488,000) which comprises the demand for return of an advance payment made by UM to the Group of RMB20,000,000 (equivalent to approximately HK\$25,438,000) and interest thereon to the extent of RMB50,355,783 (equivalent to approximately HK\$64,050,000) payable up to 20 March 2014. The Company as guarantor to the abovementioned primary contracts is therefore also a party to these litigations.

On 4 April 2014, the Group issued a legal letter to the legal representative of the Buyers requesting them to withdraw the Statutory Demand as the Group considers that it has bona fide defences on substantial grounds to the claims asserted from the Buyers, and the Group also considers it has very substantial counterclaims against the Buyers as a result of their non-performance of the relevant contracts.

On 7 April 2014, the Group received another legal letter from the legal representative of the Buyers informing that the Buyers will not present their winding up petition against the Company without serving a 3-day notice.

On 11 April 2014, the Company received another statutory demand from the legal representative of UM to claim for certain interest charge (“Interest Charge”) on certain loans provided by UM to the Group (the principal of which had been fully repaid before 31 December 2014) calculated up to 11 April 2014 (as supplemented by another legal letter dated 15 April 2014), together with the related penalty, to the extent of US\$3,839,000 (equivalent to approximately HK\$29,770,000). The Group has subsequently replied, through its legal representative, that most of the claimed Interest Charge are unenforceable at law but agreed to pay the relevant interest charge (after tax) calculated under normal contract terms in the amount of US\$345,000 (equivalent to approximately HK\$2,675,000) which had been provided for during the year ended 31 December 2013.

On 9 May 2014, the Group received another legal letter from the legal representative of UM informing that UM will not present its winding up petition against the Company without serving a 3-day notice.

In October 2014, the legal representative of UM issued a letter to the Group requesting payment for the amount of US\$345,000 and the Group fully settled the amount in November 2014.

On 18 November 2014, a subsidiary of the Group received a legal letter from RR, which purported to be statutory demand serviced to the subsidiary pursuant to section 254(2)(a) of the Singapore Companies Act (Cap.50), requesting for settlement of a payable of US\$1,726,000 (equivalent to approximately HK\$13,387,000) (the “Unpaid Invoices”), which has been included as current liabilities of the Group in the consolidated financial statements.

On 8 December 2014, the Group issued a legal letter to RR requesting RR to withdraw such statutory demand and confirm that RR will not commence winding up of the aforementioned subsidiary as the Group considers it has bona fide defences on substantial grounds to the claims asserted in RR’s letter dated 18 November 2014 and significant cross-claims against RR and therefore the Unpaid Invoices should not be settled at this stage since the Group would be entitled to set these sums off against its very substantial counterclaims for RR and/or UM.

There has been no further correspondence between the Group and the Buyers since then and up to the date of approval of the consolidated financial statements. The Directors, after seeking legal advice on the above claims, consider that the Group has bona fide defences on substantial grounds to the claims asserted from the Buyers such that (i) the aforementioned advance payments received to the extent of approximately HK\$48,702,000 in aggregate are presently not due for repayment by the Group; (ii) the resulting interest so calculated are therefore miscalculated and grossly inflated; (iii) other than an amount of HK\$2,675,000 relating to the Interest Charge which has already been settled by the Group, the remaining sums of the claims are without merit; and (iv) the Unpaid Invoices should not be settled at this stage. The Directors are also of the opinion that the Group has significant ground for very substantial counterclaims and cross-claims against each of the Buyers as a result of their non-performance of the relevant contracts as mentioned in the Letters. Consequently, no provision has been made for these claims on the consolidated financial statements as the Directors consider that it is not probable that the above legal claims would result in any material outflow of economic benefits from the Group.

(b) Dispute on Contracts of Affreightment (“COAs”)

The Group entered into certain COAs with various marine vessel owners committing certain minimum number of cargoes per calendar month for exporting iron ores from Indonesia. As a result of the unfavourable economic environment and the various changes in rules and regulations stipulated by the Indonesian government authorities since year 2012, the Group’s ores export was adversely affected and therefore unable to fulfil the minimum cargoes commitments as stipulated by some of these COAs.

During the year ended 31 December 2014, the Group received various legal letters from TORM A/S (“TORM”), a marine vessel owner, to (i) claim for an outstanding freight charges payable by the Group to TORM of approximately US\$1,834,000 (equivalent to approximately HK\$14,268,000) (“Outstanding Freight Charges”); and (ii) notify the commencement of arbitration proceedings pursuant to the terms of the relevant COAs to claim for loss and damage suffered by TORM (“Other Losses”) with respect to approximately 51 unfulfilled cargoes under the terms of the relevant COAs which is estimated by TORM to be approximately US\$11,828,000 (equivalent to approximately HK\$91,721,000) up to 27 March 2014 (the amount stated in the latest claim submissions from TORM).

The dispute with TORM in respect of the Outstanding Freight Charges had been settled at an amount of US\$419,000 (equivalent to HK\$3,253,000) during the year ended 31 December 2014 and the claim had been fully discharged in June 2014.

In connection with the claims on Other Losses, the Group has engaged legal advisors to commence arbitration procedures with TORM in February 2014. During the year, the Group has been actively negotiating with TORM on settlement of the above claims on Other Losses. In preparing the consolidated financial statements, the directors have obtained legal advice in this respect and, based on the current status of the proceedings, evidence exchanged and the latest communication with TORM, consider that most likely the Group will be able to settle the claims on Other Losses at a consideration of approximately US\$5 million (equivalent to HK\$38,782,000), and therefore a provision for claims of the same amount was made for the year ended 31 December 2015 (Note 5).

As at 31 December 2015 and up to the date of approval of the consolidated financial statements, based on the best knowledge and information of the directors, there are no other major claims in relation to any COAs that the Group has entered into save as disclosed in the consolidated financial statements.

Should the resolution of these legal claims and disputes turn out to be unfavourable to the Group, the Group may need to record additional losses in respect of these claims and disputes in future reporting periods.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT ANALYSIS

Impact of Export Ban

The Group purchases ores for both trading of limonitic ore business and self-use manufacturing of iron and special steel products. In the past few years, the Group enjoyed fixed price in ore supply through an exclusive offtake agreement entered into with PT. Yiwon Mining (“Yiwon”) (“EOA”).

Pursuant to the relevant regulations promulgated in Indonesia, unprocessed ore export by mining business licence holders in Indonesia (“IUP Holders”) has been banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to Government Regulation No. 23 of 2010 regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with Law No. 4 of 2009 regarding minerals and coal mining (“Export Ban”). Due to the Export Ban, Yiwon can no longer export unprocessed ore to the Group.

After the Export Ban, the ore trading business of the Group in 2015 was completely suspended. The turnover from ore trading business shrank 100% from HK\$52.1 million in 2014 to HK\$nil in 2015.

Besides the direct impact on the ore trading business, the Export Ban also adversely affected the manufacturing of iron and special steel products. Without ore supply in stable price under the EOA, the Group had to purchase the ores from the PRC market with volatile ore price fluctuation which affected the cost of manufacturing of the iron and special steel products.

Operating environment in 2015

In 2015, the PRC’s steel market continued to be negatively affected by the over-supply and the persisting weak steel price under fierce competition in the steel market. As a result, the sales of iron and special steel products continuously recorded substantial gross loss during the year.

We remain pessimistic about the steel market in the PRC in the short term due to the continuation of over-supply and the persisting weak steel price under fierce competition in the steel market. The PRC’s government has started to discuss the possible solutions to mitigate such over-supply situation continuously. We expect the prices of iron and steel products will not have significant rebound in the near future. However, in the long term, we expect the global economy will gradually recover and the economy of the PRC will maintain its healthy growth trend. Going forward, domestic market in the PRC will become quality-oriented, which will impose higher requirements on products in terms of environmental-friendliness, safety and durability, sustainability and recycling. We expect that the quantitative demand for high quality steel products will increase significantly in the long run, and product development will incline to the high-end market.

To capture these business opportunities, the Group has shifted to the production of high quality iron and special steel products through the application of more environmental-friendly production method. Moreover, the Group had completed the innovation on the new “high-strength special steel” product in the second half of the year 2014 which can be applied to bridge construction, offshore oil platform construction, marine construction, ship construction, power transmission engineering and marine transport facilities. Despite the new “high-strength special steel” products launching to the market is at very beginning stage, the Directors believe that the “high-strength special steel” product can contribute substantially to the Group’s future operating profits upon the successful exploration and development of the new “high-strength special steel” products in the PRC’s steel market in the near future.

In view of the continuous unfavourable operating environment experienced by the Group, the Directors have reviewed the recoverable amounts of the Group’s property, plant and equipment and the related prepaid land lease payments and have been made a provision for impairment losses on the plants of Lianyungang’s project and certain idle equipment pending for repair and modification before they can be put into for future use of HK\$435.1 million and HK\$5.3 million respectively.

BUSINESS REVIEW

Project Progress

In the PRC

Lianyungang City East Harvest Mining Company Limited, a wholly-owned subsidiary of the Company, has constructed a production plant to produce nickel fine powder. The first production line of the production plant started trial production in the second half year of 2012. The nickel fine powder can be treated as finished product for direct sales; alternatively, it can be treated in a blast furnace and possessed into nickel-iron alloy fluid, which becomes a high-quality raw material for the production of stainless steel. The Lianyungang plant applies low carbon metallurgical technology developed by the Group. Ordinary coal, rather than coke used in traditional process, is used in the reduction purification process, under which the consumption of carbon may decrease by up to 40%. In addition, the plant can utilise low grade nickel ore for production, the cost of which is much lower than that used in traditional production process. The project is highly recognised by the local government. Moreover, the plant is situated at the Lianyungang port and benefits from geographical advantages. Ores and other raw materials from overseas can be conveniently transported to the plant, largely reducing the inland transportation costs and logistics pressure.

Due to the Export Ban and the continuation of over-supply and the persisting weak steel price under fierce competition in the steel market, the production of iron ores related products was affected substantially. The management has decided to suspend the production plan to a later period. Because of the Export Ban, the expected recoverable amount of the plant continually decreased since in the year of 2013. As a result, the Directors made a provision for impairment of the property, plant and equipment of the plant amounted to HK\$435.1 million in 2015.

In Indonesia

PT. Mandan Steel, our wholly-owned subsidiary incorporated in Indonesia, is our future processing and manufacturing arm in overseas. PT. Mandan Steel is also recognised as a key iron and special steel mill construction project of Indonesia with strong support from Indonesia central government, and offers manufacturing capability that is valuable considering the new mining regulations in Indonesia. The special steel mill project will produce special steel bar for concrete reinforcement to capture the market opportunities in Indonesia. This processing facility can save shipping fee, loading and unloading charges and inland port charges. The Stage 1 development is facilitated and based on the overall relocation of the equipment from Yongan Special Steel Company Limited, a former wholly owned subsidiary of the Company. To ensure high quality, environmental protection, energy efficiency and low production cost, new equipment will be added to existing equipment and some existing facilities will be modified. After the Export Ban which affected our cash flow position together with the delay in disposal of 30% equity interest of SEAM, a wholly-owned subsidiary of the Company, the Group is seeking other financing sources to facilitate the development of the project. Management is currently negotiating with the relevant parties to facilitate the completion of the proposed disposal despite longer than expected time was spent as a result of the rapid changes in environment the SEAM operates in.

Business Development

Ore trading business

The Group purchases ores from Indonesia through the EOA at fixed price for self-use or for sale, and has started selling ores to third parties since the end of 2009. The ore trading business had a remarkable contribution to our profitability and cash flows due to strong demand from the PRC customers in the past.

However, the ore trading business of the Group has been suspended upon the Export Ban and it is anticipated that this will have a continuous significant negative impact on the financial and operating results of the Group.

It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future.

The Directors are considering any possible alternatives, including but not limited to, co-operation with local enterprises for building up special steel mills in Indonesia.

Special steel-making operations

For the special steel-making operations of the Group, both the sales volume and profit margins of stainless steel products and Ni-Cr alloy steel ingot continued to be low during the year as a result of over-supply under the intense competition on steel products market in the PRC. In addition, due to the Export Ban and the continuous weak demand in the iron and steel market in the PRC, the production plant of our Yongtong Special Steel Company Limited suspended production during February 2015 to July 2015 and September 2015 to February 2016. This led to the substantial low production level and sales volume in 2015 since the Group listed in Hong Kong in 2005. Since early March 2016, the Group's special steel-making operation has been resumed gradually upon the successful of obtaining the new sales order in the PRC.

While we expect the keen competition in the PRC's steel market will continue in 2016, the demand for steel products will gradually pick up. The Group is actively developing new high value-added special steel products and identifying PRC and overseas markets with growth potentials to strengthen our product portfolio and reduce market concentration risk.

In view of the keen competition environment facing by the Group's special steel-making operations, the Directors have reviewed the recoverable amount of the property, plant and equipment and prepaid land lease payments in the Group's plants in Zhengzhou and no further impairment loss was made in 2015.

Financing Arrangement

As at 31 December 2015, the Group had net current liabilities of approximately HK\$2,936.2 million. The Group has been actively negotiating with PRC and overseas banks and institutional investors for new borrowings and renewal of existing borrowings when they fall due. During the year, the Group had successfully obtained bank and other borrowings of HK\$412.2 million to finance our operation and for repayment of our borrowings when they fall due.

In addition, based on the framework agreement with a potential investor for the disposal of 30% equity interest of SEAM, a wholly-owned subsidiary of the Group, the aggregate consideration will be approximately US\$150 million (equivalent to approximately HK\$1.1 billion). The transaction is still in progress due to the rapid change in operating and regulatory environment of our subsidiary, and the potential investor needs more time for conducting due diligence work.

Event of Default and Cross-Default

Bonds

Since December of 2014 and subsequent to the year end, the Group had continuous default in payment of due interest and principal under the terms and conditions of the bonds, the default may trigger a cross-default in accordance with respective terms and conditions of the bonds. In such an event, DB Trustees (Hong Kong) Limited, in its respective capacities as trustee for the holders of the bonds is entitled to, amongst other things, accelerate the Company's obligations under the bonds and declare the outstanding principal amounts of the bonds to be immediately due and payable, together with outstanding interest and all other sums payable. As at the date of this announcement, DB Trustees (Hong Kong) Limited has not made any demand for immediate repayment of the 12% Coupon Senior Bonds, the 8% Coupon Convertible Bonds or the Modified 10% Coupon Bonds. As at the date of this announcement, (i) the principal amount of the 12% Coupon Senior Bonds of HK\$390,990,000 and the accrued interest of HK\$76,920,000 are outstanding; (ii) the principal amount of the 8% Coupon Convertible Bonds of HK\$117,525,000 and the accrued interest of HK\$16,047,000 are outstanding; and (iii) the principal amount of the Modified 10% Coupon Bonds of HK\$28,400,000 and the accrued interest of HK\$5,377,000 are outstanding.

Bank Loans

CITIC Loan

Under the terms and conditions of the bank loan from China CITIC Bank International Limited (“CITIC Bank”) to the Company (the “CITIC Loan”), payment of the interest in respect of one of the CITIC Loan in the amount of US\$96,000 (equivalent to approximately HK\$745,000) has fallen due and was payable on 12 January 2015. The Company did not repay the above interest. On 14 January 2015, the Company received a demand letter from the CITIC Bank demanding settlement of all the outstanding principal amount of US\$25,616,000 (equivalent to approximately HK\$198,587,000) together with accrued interests, other charges and any amount due to the CITIC Bank (“Full Outstanding Amount of CITIC Loan”) thereon in full on or before 22 January 2015. Since the Company did not repay the Full Outstanding Amount of CITIC Loan by 22 January 2015, the CITIC Bank is entitled to lodge their claims against the covering standby letters of credit issued by China CITIC Bank Corporation Limited, as a security of the CITIC Loan.

Under the terms and conditions of the CITIC Bank, the principal in the amount of US\$12,516,000 (equivalent to approximately HK\$97,030,000) has fallen due and was payable on 6 July 2015. Since the Company did not repay the above principal, on 6 July 2015, the CITIC Bank lodged and has completed its claims against the covering standby letter of credit issued by China CITIC Bank Corporation Limited, as a security of the CITIC Loan fully backed up by the pledged deposit of the Group, for the outstanding principal amount of US\$12,516,000 (equivalent to approximately HK\$97,030,000) together with accrued interests, other charges and any amount due to the CITIC Bank thereon in full.

Under the terms and conditions of the CITIC Bank, the principal in the amount of US\$8,000,000 (equivalent to approximately HK\$62,000,000) has fallen due and was payable on 24 October 2015. Since the Company did not repay the above principal, on 11 November 2015, the CITIC Bank lodged and has completed its claims against the covering standby letter of credit issued by China CITIC Bank Corporation Limited, as a security of the CITIC Loan fully backed up by the pledged deposit of the Group, for the outstanding principal amount of US\$8,000,000 (equivalent to approximately HK\$62,000,000) together with accrued interests, other charges and any amount due to the CITIC Bank thereon in full.

Under the terms and conditions of the CITIC Bank, the remaining outstanding principal in the amount of US\$3,100,000 and US\$2,000,000 (equivalent to approximately HK\$24,028,000 and HK\$15,502,000 respectively) have fallen due and were payable on 11 March 2016 and 14 March 2016 respectively. Since the Company did not repay the remaining outstanding principal, on 18 March 2016, the CITIC Bank completed its claims against the pledged deposit of the Group, for the remaining outstanding principal amount of US\$5,100,000 (equivalent to approximately HK\$39,530,000) together with accrued interests, other charges and any amount due to the CITIC Bank thereon in full.

Up to the date of this announcement, CITIC Bank has confirmed that all the remaining outstanding principal together with accrued interests, other charges and any amount due to the CITIC Bank thereon have been settled.

SCB Loan

Under the terms and conditions of the bank loan facility letters from Shanghai Commercial Bank Limited (the “SCB”) to the Company (the “SCB Loan”), payment of the interest in respect of one of the SCB Loan in the amount of US\$100,000 (equivalent to approximately HK\$775,000) has fallen due and was payable on 12 January 2015. The Company did not to repay the above interest.

On 14 January 2015, the Company received a demand letter from the SCB demanding settlement of all the outstanding principal amount of US\$15,650,000 (equivalent to approximately HK\$121,386,000) together with accrued interests, other charges and any amount due to the SCB (“Full Outstanding Amount of SCB Loan”) thereon in full on or before 22 January 2015. Otherwise the SCB would be entitled to lodge their claims against the covering standby letters of credit issued by Bank of Jiangsu Company Limited, as a security of the SCB Loan.

The Company did not repay SCB the Full Outstanding Amount of SCB Loan by 22 January 2015. As a result, on 26 January 2015, the SCB lodged and has completed its claims against the securities, and the Full Outstanding Amount of SCB Loan has been fully offset by the pledged deposit of the Group.

SPD Loan

On 26 January 2015, the Company received a demand letter from Shanghai Pudong Development Bank Co., Ltd. (“SPD”) in relation to the bank loan facility and interest rate swap facility granted to the Company by SPD.

On 5 February 2015, the Company did not repay SPD all the outstanding principal, accrued interests and the break funding cost due by the Company to SPD (“Full Outstanding Amount of SPD Loan”). As a result, the SPD lodged and has completed its claims for the Full Outstanding Amount of SPD Loan against the securities, that is, the irrevocable and unconditional letters of guarantee issued by the SPD Zhengzhou Branch fully backed up by the pledged deposit of the Group. The Full Outstanding Amount of SPD Loan has been fully offset by the pledged deposit of the Group.

SUBSEQUENT EVENT

Syndicated loans in PRC

In January 2016, the Group obtained a syndicated loan from a syndicate of banks in the PRC (i) to replace certain outstanding bank loans and notes payable of the Group as at 31 December 2015 to the extent of HK\$320,625,000 and HK\$95,175,000 respectively with a 3-year loan of the same amount; and (ii) to provide additional loan facilities to the Group as working capital for an amount of approximately RMB150 million (the “New Facilities”) for a 3-year term. Up to the date of this announcement, approximately RMB30 million of the New Facilities have been drawn down.

Subscription agreement

On 5 March 2016, the Company and a potential investor (the “Potential Investor” or “Subscriber”) entered into a share subscription agreement that the Subscriber agreed to subscribe for a total of 1,465,898,410 new ordinary shares of the Company at a subscription price of approximately HK\$0.1876 per share (the “Subscription Shares”), totalling approximately HK\$275 million (the “Subscription”), subject to certain conditions precedent which, among others, include the following:

- approval from the Company’s shareholders, or independent shareholders when appropriate, for (i) allotment and issuance of the Subscription Shares; (ii) a Whitewash Waiver; and (iii) a Special Deal (as defined hereunder), at the extraordinary general meeting of the Company (“EGM”);
- a Whitewash Waiver being granted by The Securities and Futures Commission of Hong Kong (“SFC”) in respect of any obligation of the Subscriber and parties acting in concert with it to make a mandatory general offer for all the issued shares and other relevant securities of the Company not already owned (or agreed to be acquired) by the Subscriber and parties acting in concert with it which might otherwise arise as a result of the Subscription;
- the consent from the SFC for repayment to any creditor who is a shareholder of the Company using the proceeds from the Subscription under a proposed debt restructuring as mentioned below (the “Special Deal”);
- approval of resumption of trading of the Company’s shares, and listing of the Subscription Shares from the Stock Exchange; and
- completion of a debt restructuring by the Company in accordance with Section 673 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Debt Restructuring Proposal”). The debt restructuring refers to a plan for restructuring of the indebtedness of the Company which involves, among other things: (i) the reduction and cancellation of the outstanding principal amount of the Bonds by at least 80%; (ii) the reduction and cancellation of all the outstanding interests of the Bonds; (iii) the release and discharge of all security collateral provided in relation to the 12% Coupon Senior Bonds and the 8% Coupon Convertible Bonds; and (iv) the reduction of and cancellation of all other indebtedness and contingent liabilities of the Company as referred to in the Debt Restructuring Proposal, by at least 80%.

Financial advisor and debt restructuring scheme advisor have been appointed by the Company to facilitate the Subscription and Debt Restructuring Proposal.

FINANCIAL REVIEW

Turnover and sales volume

Major products of the Group were stainless steel products, Ni-Cr alloy steel ingot, ferro-nickel alloys and limonitic ores. The table below sets out the turnover and sales volume of our products for the years indicated:

Turnover

	For the year ended 31 December			
	2015		2014	
	HK\$'000	%	HK\$'000	%
Mineral Resources:				
Limonitic ores	–	–%	52,111	16%
Iron and Special Steel Products:				
Stainless steel products	10,543	27%	171,913	51%
Ferro-nickel alloy steel ingot and others	19,097	50%	62,044	18%
Ni-Cr alloy steel ingot	9,057	23%	50,335	15%
Total	38,697	100%	336,403	100%

Sales volume

	For the year ended 31 December			
	2015		2014	
	(tonnes)	%	(tonnes)	%
Mineral Resources:				
Limonitic ores	–	–%	142,125	75%
Iron and Special Steel Products:				
Stainless steel products	1,662	18%	24,355	13%
Ferro-nickel alloy steel ingot and others	6,258	66%	15,179	8%
Ni-Cr alloy steel ingot	1,475	16%	8,849	4%
Total	9,395	100%	190,508	100%

The Group's ore trading business, which was the key revenue and cash flows contributor of the Group in 2014, was suspended in full year of 2015 due to the Export Ban. Pursuant to the Export Ban, unprocessed iron ore export from Yiwan to our Group has been suspended from 12 January 2014 onwards. Therefore the Group's turnover recorded a significant decrease by HK\$297.7 million, or 88.5%, to approximately HK\$38.7 million (2014: HK\$336.4 million). It is possible that the relevant mining regulations in Indonesia may be amended but there is no guarantee that the Export Ban will be uplifted in near future.

In 2015, the sales of iron and special steel products, in aggregate, recorded a decrease of HK\$245.6 million or 86.4% to HK\$38.7 million (2014: HK\$284.3 million). Due to weak demand and intense competition in the PRC, the sales volume of our iron and special steel products shrank significantly.

In 2015, the Group's sales volume of stainless steel products decreased by approximately 22,693 tonnes or 93.2% to 1,662 tonnes (2014: 24,355 tonnes), of Ferro-nickel alloy steel ingot and others decreased by approximately 8,921 tonnes or 58.8% to 6,258 tonnes (2014: 15,179 tonnes), and of Ni-Cr alloy steel ingot decreased by approximately 7,374 tonnes or 83.3% to 1,475 tonnes (2014: 8,849 tonnes).

During the year ended 31 December 2015, the Group's average selling prices per tonne for stainless steel products, Ferro-nickel alloy steel ingot and others and Ni-Cr alloy steel ingot were HK\$6,344 (2014: HK\$7,059), HK3,076 (2014: HK\$4,101) and HK\$6,140 (2014: HK\$5,688) respectively.

Cost of sales

The cost of sales in 2015 decreased by HK\$378.1 million, or 75.3%, to approximately HK\$123.8 million (2014: HK\$501.9 million). The decrease in cost of sales was mainly due to decrease in sales despite the significant provision for impairment losses of inventories in current year.

The unit costs of sales in 2015 for stainless steel products, Ferro-nickel alloy steel ingot and others and Ni-Cr alloy steel ingot were HK\$5,710 (2014: HK\$8,470), HK\$4,099 (2014: HK\$6,278) and HK\$6,112 (2014: HK\$14,183) per tonne respectively.

Gross loss

The Group's recorded the gross loss amounted to HK\$85.1 million in 2015 (2014: HK\$165.5 million). The gross loss margin in 2015 was 220.0% (2014: 49.2%). If the provision for impairment losses of inventories in both years are excluded, the gross loss margin in 2015 would be 14.1% which was improved from that of 43.4% in 2014. Due to the weak demand in steel market, the gross margin remained negative in current year.

Other gains, net

Other gains, net in 2015 were HK\$50.3 million (2014: HK\$18.9 million). The increase was mainly due to the gain on fair value of derivative financial instruments, foreign exchange and disposal of property, plant and equipment in 2015.

Selling and distribution expenses

Selling and distribution expenses in 2015 decreased by HK\$7.4 million, or 74.3%, to HK\$2.6 million (2014: HK\$10.0 million), representing 6.7% of turnover (2014: 3.0%). Decrease in selling and distribution expenses was mainly due to the decrease in sales.

Administrative expenses

Administrative expenses in 2015 increased by HK\$14.3 million, or 8.1%, to HK\$191.3 million (2014: HK\$177.0 million), representing 494.4% of turnover (2014: 52.6%). The increase in administrative expenses was mainly because certain factory overhead costs which was used to be part of cost of sales in 2014 was accounted for as administrative cost in 2015 due to certain suspension periods of production in current year.

Finance income

Finance income decreased by HK\$137.0 million, or 94.4% to HK\$8.1 million (2014: HK\$145.1 million). Finance income decreased was mainly due to gain on restructure of convertible bonds and senior bonds in 2014 but not in 2015.

Finance costs

Finance costs in 2015 decreased by HK\$108.0 million, or 19.3% to HK\$451.3 million (2014: HK\$559.3 million). It is because of continuous default on bonds and other borrowings in 2015 and there was acceleration of unwinding interest on bonds in 2014 but not in 2015.

Other expenses

Other expenses in 2015 increased by HK\$74.2 million, or 201.8%, to HK\$110.9 million (2014: HK\$36.7 million). The increase was mainly due to increased provision for claims and disputes in 2015.

Impairment losses on property, plant and equipment

In 2015, the Group recorded an impairment loss on its property, plant and equipment totalling HK\$440.4 million (2014: HK\$597.4 million). Details of the background of the impairment were discussed above.

Loss before tax

As a result of the factors discussed above, the loss before tax for the year ended 31 December 2015 was HK\$1,223.2 million (2014: HK\$1,465.4 million). The Group's loss before tax margin was 3,161.0% (2014: 435.6%). The loss before interest, tax, depreciation and amortisation (LBITDA) margin was 631.2% (2014: 97.8%).

Income tax (expense)/credit

The applicable Hong Kong profits tax rate of the Company and its subsidiaries which operate in Hong Kong is 16.5% based on existing legislation. The entities within the Group which operate in the PRC, Singapore and Indonesia are subject to corporate income tax at rates of 10% to 25% for the year ended 31 December 2015. The decrease in income tax credit of HK\$12.3 million or 110.2% to tax expense of HK\$1.1 million (2014: tax credit of HK\$11.2 million) was mainly because in 2014 there was reversal of over-provision in prior years.

Loss for the year and loss attributable to shareholders

As a result of the factors discussed above, the Group's 2015 loss for the year was HK\$1,224.4 million (2014: HK\$1,454.2 million) and the 2015 loss attributable to equity holders of the Company was HK\$1,222.9 million (2014: HK\$1,453.1 million).

Key financial ratios

		For the year ended	
		31 December	
	<i>Notes</i>	2015	2014
Current ratio	1	17%	40%
Inventory turnover days	2	673 days	223 days
Debtor turnover days	3	68 days	25 days
Creditor turnover days	4	1,039 days	670 days
Interest cover	5	-1.8 times	-2.5 times
Interest-bearing gearing ratio	6	953%	174%
Debt to LBITDA ratio	7	-9.0 times	-7.3 times
Net debt/Capital and net debt ratio	8	93%	67%

Note:

- Current assets/Current liabilities x 100%
- $$\frac{\text{Inventories}}{\text{Cost of sales}} \times 365 \text{ days}$$
- $$\frac{\text{Trade and notes receivables}}{\text{Turnover}} \times 365 \text{ days}$$
- $$\frac{\text{Trade and notes payables}}{\text{Cost of sales}} \times 365 \text{ days}$$
- $$\frac{\text{Loss before interest and tax}}{\text{Net interest expense}}$$
- $$\frac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{Equity attributable to the owners of the parent}} \times 100\%$$
- $$\frac{\text{Interest-bearing loans and other borrowings (including convertible bonds)}}{\text{LBITDA}}$$
- $$\frac{\text{Net debt}^*}{\text{Capital and net debt}} \times 100\%$$

* Net debt included bank and other borrowings, convertible bonds (the liability component), trade and notes payables and other payables and accruals less cash and cash equivalents, pledged time deposits and restricted cash.

Property, plant and equipment

Property, plant and equipment as at 31 December 2015 mainly comprised plant and machinery, buildings and construction in progress. The decrease in balance by HK\$558.5 million or 47.4% to HK\$619.5 million (2014: HK\$1,178.0 million) was mainly due to the depreciation charges for the year of HK\$90.4 million and impairment of property, plant and equipment of HK\$440.4 million.

Intangible asset

The intangible asset solely represents the unamortised amount of the EOA from Yiwan secured by the Group in May 2007.

Inventories

The inventory turnover days increased from 223 days in 2014 to 673 days in 2015. As at 31 December 2015, inventories balance decreased by HK\$78.6 million, or 25.6%, to HK\$228.4 million (2014: HK\$307.0 million). Decrease in inventory balance was mainly due to the significant provision for impairment losses in inventories.

Trade and notes receivables

The debtor turnover days increased from 25 days in 2014 to 68 days in 2015. As at 31 December 2015, trade and notes receivables balance decreased by HK\$16.0 million, or 69.0%, to HK\$7.2 million (2014: HK\$23.2 million) mainly due to decrease in sales.

Prepayments and other receivables

As at 31 December 2015, prepayments and other receivables balance decreased by HK\$39.3 million, or 15.4%, to HK\$215.3 million (2014: HK\$254.6 million).

Cash and cash equivalents, pledged time deposits and restricted cash

The aggregate amount of cash and cash equivalents, pledged time deposits and restricted cash decreased by approximately HK\$874.4 million, or 85.8%, to HK\$144.4 million as at 31 December 2015 (2014: HK\$1,018.8 million). The decrease in the balance was mainly due to cash used in operation and repayment of the bank and other borrowings.

Trade and notes payables

The creditor turnover days increased from 670 days in 2014 to 1,039 days in 2015. As at 31 December 2015, trade and notes payables balance decreased by HK\$569.2 million, or 61.7%, to HK\$352.6 million (2014: HK\$921.8 million). The decrease in trade and notes payables balance was the net result in decreased purchase and delay in settlement of payables by the Group in 2015 resulting the increase in creditor turnover days. The trade payables are unsecured, interest-free and are normally settled on terms of 60 to 180 days while the bank bills are generally on terms of 90 to 180 days.

Convertible bonds

Decrease in the convertible bonds from HK\$143.9 million as at 31 December 2014 to HK\$117.5 million as at 31 December 2015 was solely due to conversion of the convertible bonds during the year.

Bank and other borrowings

As at 31 December 2015, total bank and other borrowings balance decreased by HK\$190.1 million, or 8.4%, to HK\$2,083.4 million (2014: HK\$2,273.5 million). Decrease in the bank and other borrowings was mainly due to repayment of loans in default upon demand.

Liquidity, going concern and capital resources

During the year ended 31 December 2015, the Group incurred a loss of approximately HK\$1,224.4 million and had a net operating cash outflow of approximately HK\$650.2 million. As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$2,936.2 million. Its total bank and other borrowings amounted to HK\$2,083.4 million will be due within 12 months. The cash and cash equivalents of the Group amounted to HK\$14.3 million as at 31 December 2015.

Following the Export Ban which has substantially affected the cash generating ability from operations of the Group, working capital of the Group may further be affected and may have foreseeable financial difficulties in the coming 12 months' period.

However, a series of remedial measures to mitigate the liquidity pressure were taken in 2015 to improve its financial and liquidity position of the Group, details of which are set out in the Board's consideration — Mitigation measures to going concern issue of this announcement. Please also refer to the details regarding uncertainties on the going concern of the Group as stipulated in the section headed "Going concern" in Note 2.1(a) to the consolidated financial statements.

The Group's working capital has been principally sourced from cash generated from operations and from long-term and short-term borrowings. The Group also utilised advances received from our customers to finance part of our working capital requirements. As at 31 December 2015, the advances from customers amounted to HK\$127.3 million.

As at 31 December 2015, the Group had current liabilities of HK\$3,531.4 million, of which HK\$2,083.4 million were bank and other borrowings repayable within one year and HK\$902.2 million were other payables and accruals.

Foreign currency risk

Since 2004, the Group has begun the purchase of iron ore from overseas suppliers. The Group's purchase and sales contracts of ore trading business are principally denominated in United States dollar ("USD") and purchase and sales of iron and special steel products are mainly denominated in Renminbi ("RMB"). As at 31 December 2015, the bonds were denominated in Hong Kong dollar ("HK\$") while bank and other borrowings were mainly denominated in RMB, HK\$ and USD, and other assets and liabilities of the Group are mainly denominated in RMB.

As at 31 December 2015, the Group did not enter into any hedging transactions to manage the potential fluctuation in foreign currency as the Directors considered the Group had no significant foreign currency risk. However, the Group will closely monitor the foreign currency risk and consider using necessary financial instruments for hedging purposes if they foresee the foreign currency risk is significant.

CONCLUSION AND PROSPECTS

2015 continues a challenging year full of uncertainties for both the PRC's steel market and the Group. The over-supply situation had not fundamentally improved amid the increasingly fierce competition from similar products in the steel market although the PRC's government has started to discuss the over-supply situation affecting the iron and steel market seriously. During the year, the steel price was persistently weak. Together with the Export Ban which was implemented in early 2014 by the relevant governmental authorities of Indonesia has continuously casted significant doubt on the Group's financial performance and cash flows in 2016.

Following the continuous development of the high strength stainless structural special steel products by the Group and the successful of the launching market strategies for household, electricity, communications, photovoltaic and animal husbandry uses which will generate higher margin with lesser impact affected by macro economy, we expect the Group may have new products bringing to the higher margin market in the future.

We also expect the economy of PRC will continue its healthy growth trend and the demand and profitability of our special steel products will rebound in the future.

In the longer term, we expect PRC will continue its modernisation and urbanisation that the demand of high quality special steel products for public infrastructure and equipment manufacturing will increase steadily. This definitely will bring enormous business opportunities for our Group.

We believe that after the technology industrialisation and modernisation of special steel products, the Group will have a stronger competitive advantage in the industry.

EMPLOYEES REMUNERATION POLICY

As at 31 December 2015, the Group had approximately 800 employees, of whom 30 were management personnel. The remuneration policy of the Group to reward its employees and Executive Directors is based on their performance, qualifications, competence displayed, market comparable and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, discretionary bonus, other fringe benefits and the Group's contribution to retirement benefits schemes. The remuneration of Executive Directors senior management are determined by the Remuneration Committee which will review them regularly.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. During the year ended 31 December 2015, the Company has complied with the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules, except for the following deviations:

(1) Code Provision A.1.1

During the year, the Board convened a total of six meetings (two of which were regular meetings), performing its duties in considering, inter alia, continuing connected transactions and financial and other matters under the provisions of the articles of association of the Company. Only two regular board meetings were held as the Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary.

(2) Code Provision A.2.1

The Executive Director, Mr. Dong Shutong, served as the Chairman and Chief Executive Officer of the Company. The Chairman is responsible for overseeing the Company's operations in respect of compliance with both internal rules and statutory requirements, and promoting the corporate governance of the Company. The Company did not appoint another individual to act as the Chief Executive Officer for the year ended 31 December 2015. This constitutes a deviation from code provision A.2.1. The Board believes that it is in the best interests of the Company and the shareholders as a whole since Mr. Dong Shutong is knowledgeable in the business of the Group and possesses the essential leadership skills to guide discussions of the Board. Important decision-making and the day-to-day management of the Company are carried out by all of the Executive Directors. Although the roles of the Chairman and the Chief Executive Officer of the Company are not segregated, the functions of the chief executive were carried out by all of the Executive Directors collectively.

The Board considered that the Group's prevailing structures and systems met the code provisions in the CG Code. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

(3) Code Provision A.4.1

Under code provision A.4.1, Non-executive Directors should be appointed for a specific term. Except for Mr. Fahmi Idris, Independent Non-executive Director, who was appointed for a term of three years, Mr. Yang Tianjun, Non-executive Director and the remaining Independent Non-executive Directors including Mr. Bai Baohua, Mr. Huang Changhuai and Mr. Wong Chi Keung were not appointed for a specific term. This constitutes a deviation from code provision A.4.1. However, according to the articles of association of the Company, one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting and the Directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practice in this respect is in line with that provided in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors. Having made specific enquiries, the Company has confirmed that all Directors have complied with the requirements set out in the Model Code.

REVIEW OF ANNUAL RESULTS

The consolidated financial statements of the Group for the year ended 31 December 2015 have been reviewed and approved by the Audit Committee, and the Audit Committee is of the opinion that such financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended the Board's approval of the Group's consolidated financial statements for the year ended 31 December 2015.

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of 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 Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2015:

Basis for Disclaimer of Opinion

Impairment of intangible asset

As at 31 December 2015, the carrying amount of the Group's intangible asset amounted to HK\$2,384,543,000. As detailed in Note 15 to the consolidated financial statements, such intangible asset represents an exclusive offtake right secured from PT. Yiwan Mining ("Yiwan"), a limited company incorporated in Indonesia, whereby Yiwan agreed to exclusively sell the limonitic ores produced by Yiwan to the Group at pre-determined prices within a specific period of time.

During the year 2012, certain Indonesian governmental authorities promulgated several new rules and regulations regarding ores export approval and export tax. During the year 2013, the relevant Indonesian governmental authorities further promulgated that unprocessed ore export by mining business licence holders in Indonesia ("IUP Holders") will be banned from 12 January 2014 onwards unless the IUP Holders have carried out processing and refining domestically according to the relevant regulations regarding implementation of activities of business of minerals and coal mining and have conducted refining and smelting in accordance with those relevant laws. Consequently, the export of unprocessed iron ores from Yiwan to the Group ceased with effect from 12 January 2014.

As further explained in Note 15 to the consolidated financial statements, in determining the recoverable amount of the intangible asset as at 31 December 2015, the directors of the Company, amongst other considerations, made reference to the disposal consideration as stipulated in a non-binding framework agreement entered into between the Group and Beijing Wincapital Management Co., Ltd. ("Beijing Wincapital"), an independent third party, on 21 January 2013, pursuant to which the Group proposed to dispose of a 30% equity interest in S.E.A. Mineral Limited, a wholly-owned subsidiary of the Group, together with its subsidiaries (collectively, "SEAM Group"), which are engaged in the trading of ores and holding of the intangible asset of the Group, to Beijing Wincapital. As the proposed disposal consideration substantially exceeds the attributable carrying amount of the aforesaid intangible asset, the directors are of the opinion that there was no impairment of the intangible asset as at 31 December 2015.

However, as there are no formal sales and purchase agreement entered into for the proposed disposal up to the date of this audit report and the proposed disposal is yet to complete, we were unable to obtain sufficient appropriate audit evidence we consider necessary to assess the recoverable amount of the intangible asset. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amount of the intangible asset and whether any impairment charge should be made. Any adjustment to the carrying amount of the intangible asset found to be necessary would affect the Group's net assets as at 31 December 2015, the Group's loss for the year then ended and the related note disclosures to the consolidated financial statements.

Impairment of property, plant and equipment and prepaid land lease payments

As detailed in Note 13 to the consolidated financial statements, an impairment assessment was carried out by the directors of the Company on the Group's property, plant and equipment and prepaid land lease payments in respect of the cash generating unit for the manufacturing and sales of iron and special steel products in Zhengzhou (the "Zhengzhou Plants"). As a result of the assessment, the directors considered that no further provision for impairment of the property, plant and equipment and prepaid land lease payments of Zhengzhou plants is required for the year ended 31 December 2015. The recoverable amount of the cash generating unit has been determined by the directors based on value-in-use calculations. These calculations included applying certain assumptions in preparing cash flows projections for the cash generating unit. In preparing these projections, the directors assumed that, amongst other factors, business performance of the Zhengzhou Plants can be gradually improved noticeably during the projection period as a result of improving operating environment and by launching new products and seeking new orders from new customers with improved gross margins.

However, we were unable to obtain sufficient appropriate audit evidence we consider necessary as to the basis upon which the directors have formed in determining the recoverable amounts of these property, plant and equipment and prepaid land lease payments and thus to assess the valuation of these assets. There were no alternative audit procedures that we could perform to satisfy ourselves as to the recoverable amounts of these assets totalling HK\$462,764,000 as at 31 December 2015 and whether any impairment charge should be made for the year ended 31 December 2015. Any adjustment to the carrying amounts of property, plant and equipment and prepaid land lease payments of the Zhengzhou Plants found to be necessary would affect the Group's net assets as at 31 December 2015, the Group's loss for the year then ended and the related notes disclosures to the consolidated financial statements.

Impairment of the Company's interests in subsidiaries

In addition, as the intangible asset, property, plant and equipment and prepaid land lease payments as stated above were held by various subsidiaries of the Company, any adjustment on the carrying amounts of these assets found to be necessary would also affect the carrying amount of the Company's interests in subsidiaries and its accumulated losses which amounted to HK\$1,047,905,000 and HK\$3,565,100,000 respectively as at 31 December 2015 and the related notes disclosures in the Note 36 to the consolidated financial statements.

Multiple uncertainties relating to going concern

As described in Note 2.1(a) to the consolidated financial statements, the Group incurred a net loss of HK\$1,224,353,000 and had a net operating cash outflow of HK\$650,220,000 during the year ended 31 December 2015. As at 31 December 2015, the Group's current liabilities exceeded its current assets by HK\$2,936,156,000 and its total borrowings amounted to HK\$2,435,580,000 while its cash and cash equivalents amounted to HK\$14,337,000 only. In addition, as at 31 December 2015, the Group's borrowings to the extent of HK\$2,276,050,000 were either overdue or due for immediate repayment; out of the remaining borrowings of HK\$159,530,000, HK\$98,776,000 also became overdue after year end date and before the date of this report. The Company and a subsidiary of the Group are also parties to various

legal claims as detailed in Note 31 to the consolidated financial statements. These conditions, along with other matters as described in Note 2.1(a) to the consolidated financial statements, indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, which are set out in Note 2.1(a) to the consolidated financial statements, and to resolve the outstanding claims and disputes detailed in Note 31 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures and litigation matters, which are subject to multiple uncertainties, including (i) whether the Group is able to successfully complete the issuance of certain new ordinary shares after fulfilling all conditions precedent as detailed in Note 2.1(a) to the consolidated financial statements; (ii) whether the Group is able to successfully negotiate with the holders of its 12% Coupon Senior Bonds, the 8% Coupon Convertible Bonds and Modified 10% Coupon Bonds, together with other creditors of the Company for agreement on the execution and completion of the debt restructuring proposal as detailed in Notes 2.1(a) to the consolidated financial statements; (iii) whether the Group is able to successfully negotiate for an extension of certain secured bank loans, and extension or refinancing of the certain notes payables; (iv) whether the Group is able to successfully negotiate for an extension of the repayment dates of certain loans until completion of the proposed disposal of the 30% interest in SEAM Group at the prescribed consideration and be able to collect the disposal consideration in full immediately upon completion of the transaction after properly offsetting the relevant borrowings; (v) whether the Group is able to successfully negotiate with certain related parties of the Group and other lenders as detailed in Notes 26(f) to (h) to the consolidated financial statements for extension of their relevant borrowings, by maintaining relationship with them such that no action will be taken by these lenders to demand immediate repayment of the overdue borrowings under negotiation; (vi) whether the Group is able to obtain additional new financing and other sources of funding as and when required; (vii) whether the Group is able to implement its operation plans to control costs and to generate adequate cash flows from operations; and (viii) whether the Group is able to resolve the outstanding claims and disputes without significant cash outflows in the next twelve months.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in the consolidated financial statements.

Disclaimer of opinion

Because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on the consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other matters

This report has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards, or accept liability to any other person for the contents of this report.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement will be published on the Company's website (ir.nickelholdings.com) and Stock Exchange's website (www.hkexnews.hk). The 2015 Annual Report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

SUSPENSION OF TRADING

At the request of the Company, trading in its shares on the Stock Exchange has been suspended since 9:00 a.m. on 1 April 2015. Publication of 2015 Annual Results and 2015 Annual Report is not an indication that the trading of the Company's shares will be resumed. The Company is required to fulfil all the resumption conditions, as detailed in the announcement published by the Company on 24 July 2015, imposed by the Stock Exchange before resumption of trading in the Company's shares. The remaining resumption conditions include addressing the audit qualifications, demonstration sufficient working capital of its operation for at least 12 months from the expected resumption date, putting in place adequate financial reporting procedures and internal control systems and informing the market of all material information.

On 7 December 2015, the Stock Exchange issued a letter informing the Company that in view of, among others, the facts that: (i) the Group has suspended its ore trading business since January 2014 and its remaining steel manufacturing business is suffered from adverse market condition, and the Group's gross profit margin for the first half of 2015 was thin and unable to cover its operating expenses; (ii) the fairness of the intangible asset value stated in the Group's financial statements approximately HK\$2.4 billion was in doubt and hence the assets of the Group is considered insufficient to meet rule 13.24 of the Listing Rules requirements; and (iii) approximately HK\$1.99 billion of the Group's borrowings were in default up to 31 August 2015. Eventually, the Company is placed in the first delisting stage (the "First Delisting Stage") under practice note 17 to the Listing Rules.

The First Delisting Stage will expire on 6 June 2016. The Company is required to submit a viable resumption proposal (the "Resumption Proposal") addressing the resumption conditions at least 10 business days before the expiry of the first delisting stage.

The Company is now taking appropriate steps to fulfil the resumption conditions as set out above and submit the resumption proposal timely. Should there be any material developments, the Company will update the shareholders as and when appropriate.

The trading in the shares of the Company will continue to be suspended until further notice.

On Behalf of the Board
Nickel Resources International Holdings Company Limited
Dong Shutong
Chairman

Hong Kong, 30 March 2016

As at the date of this announcement, the executive directors of the Company are Mr. Dong Shutong (Chairman), Mr. Dong Chengzhe, Mr. Wang Ping, Mr. Song Wenzhou and Mr. Yang Fei; the non-executive director of the Company is Mr. Yang Tianjun; and the independent non-executive directors of the Company are Mr. Bai Baohua, Mr. Huang Changhuai, Mr. Wong Chi Keung and Mr. Fahmi Idris.