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bracell

Bracell Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 1768)

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors ("Board") of Bracell Limited ("Bracell" or the "Company" and together with its subsidiaries referred to as the "Group") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 as follows:

FINANCIAL HIGHLIGHTS

For the year ended 31 December

	2015	2014	Change
	US$m	*US$m*	
Continuing operations [(1)]			
Revenue	**444**	479	(7)%
Cost of sales	**274**	300	(9)%
Gross profit	**170**	179	(5)%
Gross profit margin	**38%**	37%	
EBITDA [(2)]	**184**	200	(8)%
EBITDA margin	**41%**	42%	
Profit before income tax	**60**	55	9%
Profit from continuing operations	**57**	15	272%
Discontinued operations [(1)]			
Profit from discontinued operations	**–**	24	
Profit attributable to shareholders	**58**	37	55%
Earnings per share *(US cents)*	**1.7**	1.1	55%
Dividend per share			
Interim dividend per share declared and paid *(HK cents)*	**1.0**	–	
Proposed final dividend per share *(HK cents)*	**3.0**	2.5	
	4.0	2.5	60%
Special dividend per share declared and paid *(HK dollars)*	**–**	1.40	

Notes:

(1) Continuing operations refer to the dissolving wood pulp business of the Group, which include the sales to third parties as well as to a related party, and discontinued operations refer to the viscose staple fiber business of the Group which was disposed of in December 2014.

(2) EBITDA is calculated as profit before income tax, finance costs, depreciation, amortization of intangible assets, and changes in the value of forestation and reforestation assets.

HIGHLIGHTS

- ***2015 is the first financial year which the Group is reporting as a leading global pure-play specialty cellulose producer following the disposal of its VSF business in December 2014***

- ***Profit from continuing operations increased by 272% to US$57 million, up sharply from a low base. In 2014, profit was negatively impacted by the non-cash write off of deferred income tax, which was non-recurring in 2015. The decrease in the fair value of forestation and reforestation assets was also lower in 2015 compared to 2014***

- ***Production reached record volumes. Sales volume in both specialty-grade and rayon-grade DWP increased during the year, but lower ASPs led to lower revenue for the year***

- ***Gross profit and EBITDA margins were comparable to 2014 despite lower ASPs, due to lower cost as a result of higher capacity utilization, better cost efficiencies and the depreciation of Brazilian Reais against the US Dollar***

- ***Continued focus on penetration into the specialty-grade pulp market, operational excellence and cost competitiveness in uncertain market conditions***

- ***Recommended final dividend of HK3.0 cents per share***

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Following the completion of the disposal of its viscose staple fiber ("VSF") business in December 2014, the Group is now a leading global pure-play dissolving wood pulp producer. The continuing operations of the Group comprise the production and sale of both specialty-grade and rayon-grade dissolving wood pulp ("DWP") at its Bahia Specialty Cellulose ("BSC") plant in Brazil using wood resources grown from its own eucalyptus plantations.

In 2015, the Group's production volume reached record high, as a result of its continued focus on operational excellence.

For specialty-grade DWP, the Group continued to make progress in penetrating into this segment. Sales volume during the year increased by 4% amidst slower growth in demand and the inventory destocking of both acetate pulp and acetate tow that took place especially in the first half of the year. In the face of continued oversupply in the segment, product prices faced pressure as competitors reacted with more aggressive pricing strategies in order to maintain their market share. As such, the Group's average selling price ("ASP") for specialty-grade saw a decline of 11% during the year.

In the rayon-grade DWP segment, the Group's sales volume increased by 2%. Under a three-year pulp supply agreement which became effective on 1 January 2015, all rayon-grade DWP was sold to a company controlled by the ultimate controlling shareholder of the Company at market prices. During the year, rayon-grade DWP spot market prices rose from US$800 per metric ton in the beginning of the year to approximately US$900 per metric ton at the end of 2015. Despite this, the Group's ASP for rayon-grade recorded a decline of 9% compared to 2014. This was due to the fact that for most of 2014, the Group sold all its rayon-grade DWP to the disposed VSF plants in China at the price undertaking accepted by the Ministry of Commerce of China, which was higher than the prevailing spot market prices.

Despite increased sales volume for both specialty-grade and rayon-grade DWP, lower ASPs led to a 7% decline in the Group's revenue to US$444 million.

The more efficient operations of the Group's mill in Brazil, and the depreciation of the Brazilian Reais ("BRL") against the US Dollar ("USD") during the year contributed to lower cost of sales, which decreased by 9% to US$274 million. Gross profit dropped by 5% to US$170 million due to lower ASPs.

The selling, general and administrative expenses also declined by 7% during the year, reflecting the depreciation of BRL, as well as the Group's cost savings efforts across all aspects of its operations. EBITDA decreased by 8% to US$184 million. Gross profit and EBITDA margins were comparable to 2014 at 38% and 41% respectively despite lower ASPs, due to lower cost as a result of higher capacity utilization, better cost efficiencies and the depreciation of BRL against the USD.

In 2015, there was a decrease in fair value of the forestation assets of the Group of approximately US$8 million which compared with a decrease of US$21 million in 2014 mainly arising from the depreciation of the BRL. From 1 January 2015, two of the Group's subsidiaries which held a majority of its forestation assets changed their functional currency from USD to BRL and as a result, the majority of the effect of the depreciation of the BRL on the fair value of the forestation assets during the current year is reflected in other comprehensive income.

Profit after tax from continuing operations improved by 272% to US$57 million, up sharply from a low base of US$15 million. In 2014, profit was negatively impacted by the non-cash write off of deferred income tax assets, which was non-recurring in 2015. The decrease in the fair value of forestation and reforestation assets was also lower in 2015 compared to 2014. Profit attributable to shareholders improved by 55% to US$58 million.

DWP Business

Year ended 31 December	2015	2014 (Restated)	Change
Production volume [1] *(metric tons)*	**443,056**	435,589	2%
Sales volume *(metric tons)*	**460,294**	449,037	3%
ASP *(US$'000)*	**964**	1,066	(10)%
Revenue *(US$'000)*	**443,813**	478,718	(7)%
Gross profit *(US$'000)*	**170,293**	178,773	(5)%
Gross profit margin *(%)*	**38%**	37%	
EBITDA [2] *(US$'000)*	**183,826**	199,725	(8)%
EBITDA margin [2] *(%)*	**41%**	42%	

Notes:

(1) Production volume represents total production volume of the DWP business.

(2) The EBITDA and EBITDA margin for 2014 are restated to include unallocated expenses of the Group to conform to the current year's presentation.

The Group's DWP Business comprises the production and sale of specialty-grade pulp and rayon-grade pulp. In 2015, production volume increased by 2% to 443,056 metric tons and sales volume increased by 3% to 460,294 metric tons.

Specialty-grade pulp

Specialty-grade pulp is the natural key ingredient of a wide array of everyday use consumer products. The Group's products are manufactured to a high degree of purity, and are mostly used for applications such as acetate for cigarette filters and eyeglasses frames, pharmaceutical tablets and high-performance tire cords.

Total global demand for specialty-grade pulp is approximately 1.4 million metric tons annually, and is estimated to grow at approximately 2% per year from 2014 to 2019, according to Hawkins Wright (an independent consultancy providing market intelligence and business information relating to international forest products). Barriers to entry into this market are high owing to the advanced technological know-how required to produce the high purity products, the stringent customer specifications and long product qualification cycle. As a result, market prices for specialty-grade pulp trended upward at approximately 8% compound annual growth rate ("CAGR") in the past decade, up to 2013. In 2013, one of the major industry players added significant capacity into this segment. Even though this additional supply has now been removed, supply remains abundant while demand growth has been subdued. This has placed pressure on product pricing as competitors adopted more aggressive pricing strategies to maintain their market share.

During the year, amidst slower growth in demand for acetate and temporary destocking of acetate pulp and acetate tow, the Group's sales volume in this segment was resilient against the market situation and managed to increase its sales volume by 4% to 118,310 metric tons. However, the Group recorded lower ASP due to continuing pricing headwinds. Nevertheless, the Group continued to enhance product quality and cost competitiveness and is confident to further penetrate this segment going forward.

Rayon-grade pulp

Rayon-grade pulp is the principal raw material ingredient used for the production of VSF. China is the largest rayon-grade pulp market by demand, according to Hawkins Wright and China Chemical Fibers and Textile Consultancy.

With effect from 1 January 2015, under a three-year pulp supply agreement, the Group supplies rayon-grade DWP produced by BSC only to a company controlled by the ultimate controlling shareholder of the Company at prevailing open market spot prices. This enables the Group to focus its efforts on the production and sale of specialty-grade DWP, with a view that all rayon-grade DWP produced by BSC will be contractually purchased in its entirety under the pulp supply agreement at prevailing open market prices. This arrangement also provides BSC with certainty on the capacity utilization of its mill in Brazil by ensuring it is operating at the optimal level, thereby allowing economies of scale and better cost competitiveness. The Group sold 341,984 metric tons of rayon-grade pulp in 2015, an increase of 2% from the previous year.

During the year, VSF pricing environment improved from the second quarter, consequently enabling rayon-grade pulp producers to raise their prices. Meanwhile, some Chinese DWP players reverted to producing paper pulp during the year, which mitigated the oversupply situation. As a result, rayon-grade market prices rose from US$800 per metric ton in the beginning of the year to approximately US$900 per metric ton at the end of 2015. Nevertheless, the Group recorded lower ASP for rayon-grade pulp. This was due to the fact that for most of 2014, the Group sold all its rayon-grade DWP to the disposed VSF plants in China at the price undertaking accepted by the Ministry of Commerce of China, which was higher than the prevailing spot market prices.

Current global demand for rayon-grade pulp is estimated at approximately 5 million metric tons annually with growth primarily recorded in China. Such demand is expected to grow at approximately 4% per annum from 2014 to 2019, according to Hawkins Wright.

Future Development Plan

The Group is a leading global pure-play specialty cellulose producer. The Group's main facility of BSC in Brazil is the third largest DWP producer in the world with an annual design production capacity of 485,000 metric tons. In addition to its state-of-the-art production facilities, the Group also owns over 150,000 hectares of freehold timberland in Brazil, which fully meets all the wood requirements of the BSC facility.

As the world's second largest specialty-grade DWP producer in terms of potential production capacity and backed by its own eucalyptus plantations, the Group will continue to further penetrate into the specialty-grade DWP segment by improving its product quality according to stringent customer specifications.

The Group's three-year pulp supply agreement to sell its rayon-grade DWP only to a single customer ending 2017 enables the Group's BSC mill to operate at the optimal level and achieve greater operational efficiency. Also, this arrangement allows the Group to focus its efforts on shifting its product mix further towards specialty-grade DWP, particularly in the acetates, in view of its lower level of pricing volatility and superior positioning within the value chain.

The Group will also continue to explore the feasibility of further greenfield or brownfield expansions and/or acquisition opportunities if they meet the Group's stringent strategic and financial return targets.

Outlook

On specialty-grade DWP, the destocking of acetate pulp and acetate tow is continuing, particularly in China as Chinese demand for acetate tow is now projected to be lower than initially expected. Outside China, it is expected that tow orders will return to more normalised rates. However, the current abundant supply and subdued demand growth will continue to limit price increases in the short to mid term. Bracell is dedicated to continuously enhancing its product quality to meet stringent customer requirements and is confident that, despite slower demand growth in acetate, it is in a good position to further penetrate into the segment going forward to capture market share.

Rayon-grade DWP prices rose from the second quarter of 2015 mainly because of higher VSF prices and some players reverted to produce paper pulp, which mitigated the oversupply situation. However, VSF prices turned down sharply towards the end of 2015, and consequently rayon-grade DWP dropped swiftly from US$900 to under US$850 per metric ton at the beginning of 2016. Looking forward, rayon-grade DWP product prices are expected to fluctuate along with VSF prices which could remain under pressure due to the weak downstream markets, depressed competing fiber prices and global economic uncertainties. Nevertheless, the Group's three-year pulp supply agreement gives it certainty on its sales volume on rayon-grade DWP at prevailing market spot prices.

The Group will continuously strive to improve operational efficiencies and maintain cost competitiveness to enable the Group to mitigate margin erosion even during uncertain market conditions. The Group will invest some capital expenditure in 2016 to further de-bottleneck its BSC plant, in order to increase its production closer to its designed capacity. The above, together with its conservative cash flow management, strong balance sheet, and an experienced management team, allows the Group to be well positioned to grow further and deliver attractive long-term shareholder value.

FINANCIAL REVIEW

Consolidated Income Statement

For the year ended 31 December 2015, the Group's revenue from continuing operations declined by 7% to US$444 million despite a 3% increase in the sales volume, owing to a 11% and 9% drop in the ASPs of specialty-grade DWP and rayon-grade DWP respectively. Cost of sales declined notably by 9%, gross profit declined by 5% to US$170 million and EBITDA dropped by 8% to US$184 million. Gross profit and EBITDA margins were comparable to 2014 at 38% and 41% respectively despite lower ASPs.

Profit after tax from continuing operations for 2015 increased by 272% to US$57 million, up sharply from a low base of US$15 million. In 2014, profit was negatively impacted by to the non-cash write off of deferred income tax assets, which was non-recurring in 2015. The decrease in the fair value of forestation and reforestation assets was also lower in 2015 compared to 2014. Profit attributable to shareholders increased by 55% to US$58 million. Earnings per share also increased by 55% to US1.7 cents from US1.1 cents in 2014.

Cost of Sales

Cost of sales primarily consists of the cost of planting and harvesting wood, chemicals and conversion costs including energy, labor costs and depreciation.

The Group's cost of sales from continuing operations declined by 9% to US$274 million mainly reflecting the Group's continued efforts on cost savings as well as the depreciation of BRL against the USD during the year.

Selling and Distribution and Administrative Expenses

Selling and distribution expenses of the continuing operations was maintained at US$41 million for the year ended 31 December 2015. Administrative expenses of the continuing operations decreased by 13% to US$39 million reflecting the depreciation of BRL against the USD during the year, as well as the Group's cost savings efforts across all aspects of its operations.

Changes in Fair Value of Forestation and Reforestation Assets

Revaluation of the Group's forestation and reforestation assets in Brazil is conducted semi-annually at each reporting date. Fair value of forestation and reforestation assets in Brazil is estimated using a discounted cash flow model with reference to estimates in growth, harvest, sales prices and costs. The volume of forest harvested and recoverable as estimated by the Group is based on statistical information and data obtained from physical measurements and other information gathering techniques.

The Group assumes a six-year harvest cycle of trees within this model. Such information gathered and data used requires, to a certain extent, estimates and judgments in determining the amount of forest to be harvested and recoverable in the future. If future expectations at any given period end differ from original estimates, the difference will impact the carrying amount of forestation and reforestation assets in the consolidated statement of financial position, and be taken up in the consolidated income statement in the period.

With effect from 1 January 2015, the functional currency of two subsidiaries of the Group which own the bulk of its forestation and reforestation assets in Brazil was changed from USD to BRL. From this date onwards, the non-cash impact on the fair value of the forestation and reforestation assets of the above-mentioned subsidiaries arising from a change in the exchange rate between the BRL and USD will be recorded under the line item "currency translation differences" as part of the other comprehensive income of the Group. Hence, going forward, fluctuation in the exchange rate between the BRL and USD will result in less non-cash impact on the consolidated income statement of the Group.

Taking into effect the change in functional currency mentioned above, the Group recognized a decrease in fair value of forestation and reforestation assets of US$8 million for 2015. This compares with a decrease of US$21 million in fair value of forestation and reforestation assets for 2014 when the functional currency of the two subsidiaries was USD.

Finance Costs

The Group's finance costs of the continuing operations decreased from US$24 million to US$19 million because of lower loan balances as a result of repayments made to its five-year term syndicated loan.

Consolidated Statement of Comprehensive Income

Currency Translation Differences

The Group's presentation currency is USD. The Group has currency translation differences in the year mainly because two of its subsidiaries in Brazil have their functional currencies in BRL which is different from the presentation currency of the Group. For 2014, the currency translation differences of the Group mainly arose from its discontinued VSF business as the VSF companies in China have their functional currencies in Chinese Renminbi.

The exchange rate between the BRL and USD depreciated from US$1 = BRL 2.66 as at 31 December 2014 to US$1 = BRL 3.90 as at 31 December 2015. As a result, the Group recorded currency translation losses of US$55 million arising from its two subsidiaries in Brazil which have their functional currency in BRL. Out of this US$55 million, US$37 million related to the forestation and reforestation assets of the two subsidiaries.

Unrealized Gain/(Loss) on Cash Flow Hedge

The Group manages its interest rate risk through the use of interest rate swaps and it mitigates the currency fluctuations affecting its operations mainly through a hedging program using plain vanilla non-deliverable forward contracts.

For the year ended 31 December 2015, there was an unrealized gain on cash flow hedge of US$4 million.

Capital Expenditure

The Group continued to exercise careful control over capital expenditure as appropriate in 2015.

The Group's continuing operations incurred US$51 million in capital expenditure for the year ended 31 December 2015, compared to US$92 million in 2014. The capital expenditure includes US$31 million spent on forestation and reforestation assets in Brazil and US$20 million on other capital expenditure.

Charge on Assets

As at 31 December 2015, certain assets of the Group with an aggregate carrying value of US$815 million (31 December 2014: US$829 million) were pledged with banks for banking facilities used by our subsidiaries.

Cash Flow, Liquidity and Financial Position

The Group continues to be adequately capitalized, with ample liquidity, and is capable of funding its foreseeable capital expenditure requirements with cash flows from operating activities and banking facilities.

As at 31 December 2015, the Group's bank balances and cash amounted to US$96 million, compared with US$101 million as at 31 December 2014. Net debt as at 31 December 2015 amounted to US$137 million, compared with US$275 million as at 31 December 2014. The Group's net gearing ratio (which is calculated by dividing (i) long-term and short-term borrowings minus bank balances and cash by (ii) total equity (including non-controlling interests)) was 13%, compared to 25% as at 31 December 2014.

As at 31 December 2015, the Group had total banking facilities available for draw-down of US$57 million.

Net cash from operating activities of the continuing operations improved to US$222 million for the year ended 31 December 2015. This compares to US$190 million in 2014 for the continuing operations. The improvement is mainly due to increased efficiency in working capital management.

Treasury Policies and Risk Management

The Group has a prudent approach towards treasury management and risk management. Most of the Group's receipts are in USD. Its main costs are denominated in BRL where it has its production facilities. The Group's approach to currency risk is to mitigate the currency fluctuations affecting its operations mainly through non-deliverable forward contracts. The Group does not issue any put options.

The cash of the Group's continuing operations is generally placed in short-term deposits denominated in USD. All of its borrowings are in USD and most carry floating interest rates and the Group has entered into interest rate swap agreements to swap its floating interest rate borrowing for fixed interest rate to mitigate potential increases in future interest rates.

CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are key to obtaining and maintaining the trust of our shareholders and other stakeholders, and are essential for encouraging accountability and transparency so as to sustain the success of the Group and to create long-term value for the shareholders of the Company ("Shareholders").

The roles of the Chairman and the Chief Executive Officer are segregated. The Chairman, who is an Independent Non-executive Director, is responsible for leadership of the Board and for ensuring that the Board functions effectively and independently. The Chief Executive Officer is responsible for leading the operations of the Group's businesses to achieve their business and financial targets, proposing strategies to the Board and ensuring the effective implementation of the strategies and policies adopted by the Board.

The Board has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Executive Committee with written terms of reference approved by the Board. Terms of reference of the above Board committees are made available on the websites of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company as appropriate. In addition, the Company has established an Independent Board Committee to review all connected transactions entered into by the Group. Each of the above Board committees is chaired by an Independent Non-executive Director.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Audit Committee met four times in 2015 to review, with senior management as well as the Company's internal and external auditors, the Group's significant internal controls, risk management and financial matters as set out in the Audit Committee's written terms of reference. The Audit Committee's review mainly covers audit plans and findings of the internal and external auditors, the external auditor's independence, re-appointment of the external auditor and the audit fee, the Group's accounting principles and practices, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and statutory compliance, internal controls, risk management, financial reporting matters and the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The Audit Committee is satisfied that the internal control system is effective and adequate.

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by PricewaterhouseCoopers and reviewed by the Audit Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks. In meeting its responsibility, the Board has put in place policies and procedures which provide a framework for the identification and management of risks.

The Group regards internal audit as an important part of the Board's oversight function. The Group's internal audit department ("IA department") is authorized by the Board to have access to all records, people and physical properties relevant to the performance of internal audit. The IA department has unrestricted access to the chairman of the Audit Committee and reports directly to the Audit Committee for direction and accountability. This reporting relationship enables the IA department to provide an objective assurance to the effectiveness of the internal control system of the Group.

The IA department prepares and submits an internal audit plan to the Audit Committee for approval on an annual basis, according to a risk-based audit priority weighting policy. Reports to the management are prepared after completion of the audit work, and are summarized for review at each Audit Committee meeting. Continual follow-up work is undertaken by the IA department to establish the extent of completion of remedial actions taken by the management, with follow-up results and available resources reviewed by the Audit Committee at each committee meeting.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group for the year ended 31 December 2015, and is satisfied that the internal control system was effective and adequate. In addition, it has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function of Group, and their training programs and budget.

The Board will continue to identify, evaluate and manage the significant risks faced by the Group, and to enhance the risk management and internal control systems of the Group with the assistance of the IA department on an ongoing basis.

WHISTLEBLOWING POLICY

The Company has established a whistleblowing policy and system for employees and other stakeholders to raise concerns, in confidence, about possible improprieties in any matter related to the Group.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own Guidelines on Securities Transactions ("Guidelines") regarding securities transactions by Directors, directors of its subsidiaries, and relevant employees who are likely be in possession of unpublished price-sensitive information of the Company or its securities ("Inside Information"), on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Listing Rules. Reminders are sent during each year to Directors, directors of subsidiaries, and relevant employees that they should not deal in the securities of the Company during the "black-out periods" specified in the Model Code.

The Company made specific enquiries with the Directors, and all Directors confirmed that they had complied with the required standards set out in the Guidelines and the Model Code regarding Directors' securities transactions during the year ended 31 December 2015.

INSIDE INFORMATION REPORTING PROCEDURE

The Company has adopted a procedure on reporting of Inside Information ("Reporting Procedure") in accordance with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission. The Reporting Procedure sets out the proper standards and procedures for the handling and dissemination of Inside Information and is circulated across all relevant departments and subject to annual review by the Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company has applied the principles of, and complied with, its Corporate Governance Manual and the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 14 to the Listing Rules, save for the deviation as disclosed below:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Our Non-executive Directors (including Independent Non-executive Directors) are not appointed for a specific term but are subject to retirement by rotation and re-election by the Shareholders at the Company's annual general meetings at least once every three years in accordance with the Bye-laws of the Company. The Company in practice has complied with the relevant code provision of the CG Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2015, other than the placing of 1,000,000 new ordinary shares of the Company issued under the general mandate of the Company at HK$0.81 per share to Credit Suisse (Hong Kong) Limited, an independent third party, by private arrangement, details of which are set out in the Company's announcement dated 17 December 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board has recommended a final dividend of HK3.0 cents per share for the year ended 31 December 2015 (2014: HK2.5 cents per share) payable on or around 3 June 2016 to the Shareholders whose names appear on the register of members of the Company on 24 May 2016. Together with the interim dividend of HK1.0 cent per share paid to the Shareholders on 11 September 2015, total dividend for the year ended 31 December 2015 will be HK4.0 cents per share (2014: HK$1.425 per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 May 2016 to 16 May 2016, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the forthcoming annual general meeting ("AGM"), all transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 11 May 2016.

The register of members of the Company will be closed on 24 May 2016, on which no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend (subject to Shareholders' approval at the AGM), all transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 23 May 2016.

ANNUAL GENERAL MEETING

The AGM will be held on 16 May 2016 at 4:00 p.m.. The notice of AGM will be published on the designated websites of the Stock Exchange and the Company and dispatched to the Shareholders in due course.

PUBLICATION OF ANNUAL REPORT

The Company's 2015 annual report will be dispatched to the Shareholders and will be available on the Company's websites at www.brazilcellulose.com, www.irasia.com/listco/hk/bracell and the HKExnews website at www.hkexnews.hk in April 2016.

By Order of the Board
Bracell Limited
John Jeffrey YING
Chairman

Hong Kong, 14 March 2016

As at the date of this announcement, the Board comprises Mr. TEY Wei Lin (Chief Executive Officer) as an Executive Director; and Mr. John Jeffrey YING (Chairman), Mr. Jeffrey LAM Kin Fung, Mr. David YU Hon To, Mr. LIM Ah Doo, Mr. LOW Weng Keong and Mr. Armin MEYER as Independent Non-executive Directors.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	**2015** **US$'000**	2014 US$'000
Continuing operations			
Revenue	3	**443,813**	478,718
Cost of sales		**(273,520)**	(299,945)
Gross profit		**170,293**	178,773
Selling and distribution expenses		**(41,118)**	(41,214)
General and administrative expenses		**(38,805)**	(44,724)
		90,370	92,835
Other income and (losses)/gains, net			
Decrease in fair value of forestation and reforestation assets		**(7,695)**	(20,551)
Others	4	**(3,865)**	6,177
		(11,560)	(14,374)
Operating profit	5	**78,810**	78,461
Finance costs		**(18,920)**	(23,628)
Profit before income tax		**59,890**	54,833
Income tax expense	6	**(2,809)**	(39,490)
Profit for the year from continuing operations		**57,081**	15,343
Discontinued operations			
Profit for the year from discontinued operations		**–**	24,167
Profit for the year		**57,081**	39,510
Profit/(loss) attributable to:			
Owners of the Company		**58,094**	37,364
Non-controlling interests		**(1,013)**	2,146
		57,081	39,510
Profit attributable to owner of the Company arising from			
Continuing operations		**58,094**	15,380
Discontinued operations		**–**	21,984
		58,094	37,364
Basic and diluted earnings per share (US cents)	8		
From continuing operations		**1.7**	0.5
From discontinued operations		**–**	0.6
		1.7	1.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	US$'000	*US$'000*
Profit for the year	**57,081**	39,510
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(54,686)**	(2,740)
Unrealized gain/(loss) on cash flow hedge	**3,560**	(1,668)
Release of translation reserve upon disposal of the VSF Business	**–**	(40,486)
Other comprehensive income for the year	**(51,126)**	(44,894)
Total comprehensive income for the year	**5,955**	(5,384)
Total comprehensive income attributable to:		
Owners of the Company	**6,968**	(7,485)
Non-controlling interests	**(1,013)**	2,101
	5,955	(5,384)
Total comprehensive income attributable to owners of the company arising from:		
Continuing operations	**6,968**	13,712
Discontinued operations	**–**	(21,197)
	6,968	(7,485)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Notes	**2015** *US$'000*	2014 *US$'000*
Non-current assets			
Forestation and reforestation assets		**99,260**	138,942
Property, plant and equipment		**909,461**	983,888
Intangible assets		**275**	375
Deferred income tax assets		**11,555**	13,438
Other non-current assets		**25,301**	47,969
		1,045,852	1,184,612
Current assets			
Inventories		**54,101**	80,177
Trade and other receivables	*9*	**186,155**	212,718
Bank balances and cash		**95,992**	100,955
		336,248	393,850
Current liabilities			
Trade and other payables	*10*	**53,663**	90,154
Current income tax payable		**16,001**	20,767
Derivative financial instruments		**1,937**	5,698
Bank borrowings		**117,875**	115,578
		189,476	232,197
Net current assets		**146,772**	161,653
Total assets less current liabilities		**1,192,624**	1,346,265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2015

	2015	2014
	US$'000	*US$'000*
Non-current liabilities		
Bank borrowings	**115,218**	260,051
Derivative financial instruments	**793**	592
	116,011	260,643
	1,076,613	1,085,622
Capital and reserves		
Share capital	**171,071**	171,021
Share premium and reserves	**904,866**	912,912
Equity attributable to owners of the Company	**1,075,937**	1,083,933
Non-controlling interests	**676**	1,689
	1,076,613	1,085,622

For the year ended 31 December 2015

	Attributable to owners of the Company								
	Share capital *US$'000*	Share premium *US$'000*	Translation reserve *US$'000*	Cash flow hedging reserve *US$'000*	Awarded shares compensation reserve *US$'000*	Retained profits *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
At 1 January 2015	171,021	426,151	(80)	(6,290)	(166)	493,297	1,083,933	1,689	1,085,622
Profit/(loss) for the year	–	–	–	–	–	58,094	58,094	(1,013)	57,081
Currency translation differences	–	–	(54,686)	–	–	–	(54,686)	–	(54,686)
Unrealized gain on cash flow hedge	–	–	–	3,560	–	–	3,560	–	3,560
Total comprehensive income for the year	–	–	(54,686)	3,560	–	58,094	6,968	(1,013)	5,955
Transactions with owners									
Issue of new shares	50	54	–	–	–	–	104	–	104
Cost of issuing new shares	–	(9)	–	–	–	–	(9)	–	(9)
Dividend	–	–	–	–	–	(15,160)	(15,160)	–	(15,160)
Awarded shares compensation expense	–	–	–	–	196	(95)	101	–	101
Total transactions with owners	50	45	–	–	196	(15,255)	(14,964)	–	(14,964)
At 31 December 2015	171,071	426,196	(54,766)	(2,730)	30	536,136	1,075,937	676	1,076,613

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital *US$'000*	Share premium *US$'000*	Special reserve *US$'000*	Other non-distributable reserves *US$'000*	Translation reserve *US$'000*	Cash flow hedging reserve *US$'000*	Awarded shares compensation reserve *US$'000*	Retained profits *US$'000*	Total *US$'000*	Non-controlling interests *US$'000*	Total *US$'000*
At 1 January 2014	171,021	426,151	277,394	6,252	43,101	(4,622)	30	800,714	1,720,041	38,148	1,758,189
Profit for the year	–	–	–	–	–	–	–	37,364	37,364	2,146	39,510
Currency translation differences	–	–	–	–	(2,695)	–	–	–	(2,695)	(45)	(2,740)
Release of translation reserve upon disposal of the VSF Business	–	–	–	–	(40,486)	–	–	–	(40,486)	–	(40,486)
Unrealized loss on cash flow hedge	–	–	–	–	–	(1,668)	–	–	(1,668)	–	(1,668)
Total comprehensive income for the year	–	–	–	–	(43,181)	(1,668)	–	37,364	(7,485)	2,101	(5,384)
Transactions with owners											
Disposal of the VSF Business	–	–	–	(6,252)	–	–	–	6,252	–	(38,560)	(38,560)
Special dividend	–	–	(277,394)	–	–	–	–	(340,162)	(617,556)	–	(617,556)
Dividend	–	–	–	–	–	–	–	(11,000)	(11,000)	–	(11,000)
Awarded shares compensation expense	–	–	–	–	–	–	(196)	129	(67)	–	(67)
Total transactions with owners	–	–	(277,394)	(6,252)	–	–	(196)	(344,781)	(628,623)	(38,560)	(667,183)
At 31 December 2014	171,021	426,151	–	–	(80)	(6,290)	(166)	493,297	1,083,933	1,689	1,085,622

NOTES:

1 GENERAL INFORMATION

Bracell Limited (the "Company") was incorporated on 8 June 2010 and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended). The Company is controlled by Gold Silk Holdings Limited, a limited liability company incorporated in Cayman Islands and 100% owned and controlled by Mr. Sukanto Tanoto and certain members of his family (the "Major Shareholder"). The address of the principal place of business of the Company is 21/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in United States dollars ("US$" or "USD"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

They have been prepared under the historical cost convention, as modified by the forestation and reforestation assets which are carried at fair value less estimated costs to sell and derivative financial instruments which are carried at fair value.

(b) Amendments to existing standards adopted by the Group

During the year, the Group has adopted the following amendments to existing standards which are relevant to the Group's operations and are effective for accounting periods beginning on 1 January 2015:

IFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle
IAS 19 (Amendment)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments to existing standards has no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies, presentation and disclosure of the financial statements.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2015	2014
	US$'000	*US$'000*
Continuing operations:		
Dissolving wood pulp business ("DWP Business")	**443,813**	478,718

DWP Business derives its revenue from selling specialty-grade pulp and rayon-grade pulp, which are manufactured by the Group. During the year ended 31 December 2015, DWP is sold to third parties as well as to a related party, namely DP Marketing International Macao Commercial Offshore Limited according to a three-year pulp supply agreement which became effective on 1 January 2015. The Group entered into the pulp supply agreement upon the completion of the disposal of its viscose staple fiber business ("VSF Business").

(b) Segment information

Operating segments are identified on the basis of internal reports on components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The Company's Board of Directors is the chief operating decision maker for the purposes of IFRS 8 as it collectively makes strategic decisions in allocating the Group's resources and assessing performance.

On 17 December 2014, the Group completed the disposal of its VSF Business to a company controlled by the Major Shareholder. Accordingly, the results of the VSF Business have been presented as discontinued operations for the year ended 31 December 2014.

Subsequent to the disposal of the VSF Business, DWP Business is the only reportable operating business segment of the Group and therefore, no business segment information is provided. Further, as the Group's major operations are located in Brazil, the allocation of total assets and liabilities for the operating and reporting segment are not presented.

Geographical information

The customers of the Group's continuing operations are mainly located in the PRC, the Americas, Europe and other Asian countries.

An analysis of the revenue of the Group's continuing operations by geographical market based on where the goods are delivered to is as below:

	2015	2014
	US$'000	*US$'000*
The PRC	**310,149**	323,606
The Americas	**105,915**	124,843
Europe	**27,315**	28,736
Asia (excluding the PRC)	**434**	1,533
	443,813	478,718

Information about major external customers of the Group's continuing operations

One external customer (2014: one) contributed over 10% of the sales of Group's continuing operations and the Group's sales to this customer was US$75,860,000 (2014: US$76,429,000).

4 OTHER INCOME AND (LOSSES)/GAINS, NET – OTHERS

Continuing operations

	2015	2014
	US$'000	*US$'000*
Foreign exchange loss	**(13,088)**	(7,194)
Bank interest income	**336**	563
Loss on disposals of property, plant and equipment	**(602)**	(685)
Insurance claims	**6,644**	–
Sales of electricity	**6,224**	12,061
Impairment loss recognized in respect of other non-current assets	**(5,594)**	(4,231)
Interest income from the VSF Business	**–**	4,727
Commission income from a related party	**–**	813
Others	**2,215**	123
	(3,865)	6,177

5 OPERATING PROFIT

Continuing operations

	2015	2014
	US$'000	*US$'000*
Operating profit has been arrived at after charging:		
Salaries, wages and allowances	**36,578**	45,137
Retirement benefit scheme contributions – defined contribution plans	**1,691**	2,198
Awarded shares compensation expense, net	**165**	136
Total staff costs	**38,434**	47,471
Auditors' remuneration	**1,393**	995
Depreciation of property, plant and equipment	**67,944**	60,812
Decrease due to harvest	**29,276**	39,801
Operating lease expense of land and buildings and others	**142**	221

6 INCOME TAX EXPENSE

Income tax expense has been provided on the estimated assessable profit for the year at the appropriate tax rates prevailing in the countries/locations in which the Group operates.

Continuing operations

	2015	2014
	US$'000	*US$'000*
Current income tax:		
– Provision for the year	**(5,616)**	(8,629)
– Over-provision in prior years *(Note)*	**4,690**	2,648
	(926)	(5,981)
Deferred income tax	**(1,883)**	(33,509)
	(2,809)	(39,490)

Note: Over-provision of income tax represents primarily the write back of aged tax provision balance amounting to US$4,768,000 (2014: US$2,650,000).

7 DIVIDENDS

	2015	2014
	US$'000	*US$'000*
Special dividend declared and paid of HK$1.40 per share *(Note a)*	**–**	617,556
Interim dividend of HK1.0 cent per share (2014: Nil)	**4,413**	–
Proposed final dividend of HK3.0 cents (2014: HK2.5 cents) per share *(Note b)*	**13,244**	11,000

Notes:

a. Following completion of the disposal of VSF Business, the Company paid a special dividend of HK$1.40 per share to all shareholders on 24 December 2014.

b. At the board meeting held on 14 March 2016, the directors recommended a final dividend of HK3.0 cents per share to be paid for the year ended 31 December 2015 (2014: HK2.5 cents per share). Such dividend, which will be proposed at the annual general meeting of the Company to be held on 16 May 2016, has not been recognized as liabilities in the consolidated financial statements.

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares.

	2015	2014
	US$'000	*US$'000*
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year from the continuing operations attributable to owners of the Company	**58,094**	15,380
Profit for the year from discontinued operations attributable to owners of the Company	**–**	21,984

	Number of shares	
	2015	2014
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,420,228,606**	3,418,584,003
Effect of dilutive potential ordinary shares:		
Awarded shares compensation scheme	**832,902**	826,663
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,421,061,508**	3,419,410,666

9 TRADE AND OTHER RECEIVABLES

	2015	2014
	US$'000	*US$'000*
Trade receivables	**33,834**	14,226
Other receivables:		
Prepayments and deposits paid	**4,411**	5,286
Advance to suppliers	**3,359**	3,424
VAT recoverable	**7,985**	6,547
Others	**1,299**	1,539
	17,054	16,796
Amounts due from related companies *(Note)*		
– Trade	**135,267**	181,175
– Non-trade	**–**	521
	135,267	181,696
Trade and other receivables	**186,155**	212,718

Note: Balances with related companies are unsecured and non-interest bearing.

The Group generally allows an average credit period ranging from 30 to 180 days to its customers. The ageing analysis of the Group's trade receivables and amounts due from related parties presented based on the invoice date at the end of the reporting period is as follows:

	2015	2014
	US$'000	*US$'000*
0 – 60 days	**76,616**	62,163
61 – 90 days	**25,322**	33,910
91 – 180 days	**67,163**	66,904
Over 180 days	**–**	32,424
	169,101	195,401

10 TRADE AND OTHER PAYABLES

	2015	2014
	US$'000	*US$'000*
Trade payables	**7,907**	14,627
Other payables:		
Accruals and other payables	**33,283**	30,784
Other taxes payables	**1,472**	3,445
Provisions	**10,809**	11,233
	45,564	45,462
Amounts due to related companies *(Note)*	**192**	30,065
Trade and other payables	**53,663**	90,154

The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2015	2014
	US$'000	*US$'000*
0 – 90 days	**7,907**	14,627

Note: Balances with related companies are unsecured and non-interest bearing.