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# SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

## 首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 103)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### HIGHLIGHTS

**Profit for the Year Increased to HK\$148,254,000**

**Proposed Final Dividend Increased by 50% Year-on-Year to HK1.5 Cents Per Share**

	2020	2019	Change
Revenue from continuing operations ( <i>HK\$ '000</i> )	<b>2,041,553</b>	2,141,380	-4.7%
Gross profit from continuing operations ( <i>HK\$ '000</i> )	<b>394,322</b>	377,944	+4.3%
Gross profit margin from continuing operations	<b>19.3%</b>	17.6%	+1.7pp
Profit for the year ( <i>HK\$ '000</i> )	<b>148,254</b>	108,344	+36.8%
Earnings per share for profit for the year attributable to the owners of the Company ( <i>HK cents</i> )			
Basic	<b>7.76</b>	5.63	+37.8%
Diluted	<b>6.77</b>	5.22	+29.7%
Total equity ( <i>HK\$ '000</i> )	<b>1,645,571</b>	1,415,072	+16.3%
Proposed final dividend per share ( <i>HK cents</i> )	<b>1.5</b>	1	+50.0%
Gearing ratio ( <i>Note</i> )	<b>29.4%</b>	50.8%	-21.4pp

*Note:*

Gearing ratio represented total interest bearing borrowings less bank balances and cash (including pledged bank deposits) divided by total equity.

The Board announces that the audited consolidated results of the Group for the year ended 31 December 2020 and that final results were reviewed by the audit committee of the Company.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
<b>Continuing operations</b>			
Revenue	3	2,041,553	2,141,380
Cost of sales	7	(1,647,231)	(1,763,436)
Gross profit		394,322	377,944
Other income	5	9,509	16,891
Other losses, net	6	(59,377)	(13,179)
Distribution and selling expenses	7	(84,149)	(90,033)
Administrative expenses	7	(55,956)	(54,429)
Research and development expenses	7	(71,404)	(74,493)
Foreign exchange (losses) / gains, net		(8,077)	2,094
Changes in fair values of investment properties	13(a)	(2,062)	(718)
Reversal of impairment losses on land use rights	14	46,867	17,456
Net impairment losses on financial assets	15(c)	(6,274)	(1,059)
Finance costs, net	8	(17,488)	(64,704)
Profit before income tax		145,911	115,770
Income tax credit / (expense)	9	3,054	(4,026)
Profit from continuing operations		148,965	111,744
<b>Discontinued operation</b>			
Loss from discontinued operation	10	(711)	(3,400)
Profit for the year		148,254	108,344
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit from continuing operations attributable to the owners of the Company			
Basic	12(a)	7.80	5.81
Diluted	12(b)	6.80	5.36
Earnings per share for profit for the year attributable to the owners of the Company			
Basic	12(a)	7.76	5.63
Diluted	12(b)	6.77	5.22

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	HK\$'000	HK\$'000
Profit for the year		<u>148,254</u>	<u>108,344</u>
<b>Other comprehensive income / (loss) arising from continuing operations</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		<b>104,698</b>	(32,485)
Revaluation of leasehold land and buildings	13(b)	<b>(2,009)</b>	(2,744)
Recognition of deferred income tax asset on revaluation of leasehold land and buildings		<b>287</b>	4,606
		<u><b>102,976</b></u>	<u>(30,623)</u>
<b>Other comprehensive income / (loss) arising from discontinued operation</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency	10	<u><b>2,542</b></u>	<u>(1,094)</u>
Total comprehensive income for the year, net of tax		<u><b>253,772</b></u>	<u>76,627</u>
Total comprehensive income / (loss) for the year arises from:			
Continuing operations		<b>251,941</b>	81,121
Discontinued operation	10	<u><b>1,831</b></u>	<u>(4,494)</u>
		<u><b>253,772</b></u>	<u>76,627</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

		As at 31 December	
		2020	2019
	Notes	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	13(a)	53,874	54,093
Property, plant and equipment	13(b)	1,178,174	1,078,262
Right-of-use assets		384	1,569
Land use rights	14	146,047	95,627
Intangible assets		-	-
Prepayments for the acquisition of property, plant and equipment		33,951	10,464
<b>Total non-current assets</b>		<b>1,412,430</b>	<b>1,240,015</b>
<b>Current assets</b>			
Inventories		246,638	294,981
Trade receivables	15	638,916	579,443
Bills receivable	15	871,869	898,284
Prepayments, deposits and other receivables		24,484	29,463
Pledged bank deposits		84,308	53,921
Bank balances and cash		93,262	47,811
<b>Total current assets</b>		<b>1,959,477</b>	<b>1,903,903</b>
<b>Total assets</b>		<b>3,371,907</b>	<b>3,143,918</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		259	487
Bank borrowings	18	-	210,241
Lease liabilities		-	404
Deferred income tax liabilities		20,339	25,853
<b>Total non-current liabilities</b>		<b>20,598</b>	<b>236,985</b>
<b>Current liabilities</b>			
Trade and bills payables	16	761,321	707,010
Other payables and accruals	16	278,577	169,104
Current income tax liabilities		4,494	3,493
Loan from a related company	17	-	57,644
Bank borrowings	18	492,460	400,461
Lease liabilities		404	1,205
Financial liability at fair value through profit or loss	19	168,482	152,944
<b>Total current liabilities</b>		<b>1,705,738</b>	<b>1,491,861</b>
<b>Total liabilities</b>		<b>1,726,336</b>	<b>1,728,846</b>
<b>EQUITY</b>			
Share capital	20	1,191,798	1,191,798
Reserves		453,773	223,274
<b>Total equity</b>		<b>1,645,571</b>	<b>1,415,072</b>
<b>Total equity and liabilities</b>		<b>3,371,907</b>	<b>3,143,918</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. GENERAL INFORMATION**

Shougang Concord Century Holdings Limited (the “Company”) is an investment holding company and together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing of steel cords.

The Company is a limited company incorporated in Hong Kong. The address of its registered office is Room 1215, 12/F., Honour Industrial Centre, 6 Sun Yip Street, Chai Wan, Hong Kong.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The consolidated financial statements are presented in thousands of units of Hong Kong dollar (HK\$’000), unless otherwise stated.

**2. BASIS OF PREPARATION**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for leasehold land and buildings, investment properties and financial liability at fair value through profit or loss, which are measured at fair values.

The financial information relating to the years ended 31 December 2019 and 2020 included in this preliminary announcement of annual results 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2019 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2020 in due course.

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

The preparation of consolidated financial statements in conformity with HKFRSs 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.

## 2.1 New and amended standards and interpretations adopted by the Group

The Group has applied the following new and amended standards and interpretations for the first time for the annual reporting period commencing from 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19 Related Rent Concession ( <i>Note</i> )
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform (Phase 1)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

*Note:* The Group has elected to early adopt the above standard. The Group did not receive any rent concession for the year ended 31 December 2020 and there is no impact on the opening balance of equity at 1 January 2020.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2.2 Impact of new and amended standards and interpretations issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform (Phase 2)	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management is in the process of assessing potential impact of the above new standards and amendments that are relevant to the Group upon initial application. According to the preliminary assessment, management does not anticipate any significant impact on the Group's consolidated financial position and consolidated results of operations upon adopting the above new standards and amendments. Management plans to adopt these new standards and amendments to existing standards when they become mandatory.

### 3. REVENUE

The Group is principally engaged in the manufacturing of steel cords. Revenue recognised during the year are as follows:

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Sales of goods - Manufacturing of steel cords	<b>2,040,059</b>	2,139,930
Rental income	<b>1,494</b>	1,450
	<b><u>2,041,553</u></b>	<u>2,141,380</u>

#### 4. SEGMENT INFORMATION

The Company's managing director, being the chief operating decision maker (the "CODM"), examines the Group's performance and allocates resources from a product perspective. For the year ended 31 December 2020, the CODM has identified the Group's operating and reportable segment under HKFRS 8 Operating Segments to be steel cord segment, comprising the manufacturing of steel cords business.

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC (*Note 10*).

Segment results represent the profit or loss of each segment without allocation of changes in fair values of investment properties and financial liability at fair value through profit or loss, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits, finance costs and rental and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

##### For the year ended 31 December 2020

	<b>Steel cord</b> <b>HK\$'000</b>
<u>Sales of goods</u>	
Segment revenue from external customers	<b>2,040,059</b>
Segment results	<b>205,989</b>
Unallocated amounts	
Rental income	<b>1,494</b>
Other income	<b>702</b>
Other losses, net and foreign exchange losses, net	<b>(20,254)</b>
Changes in fair values of investment properties	<b>(2,062)</b>
Expenses	<b>(22,470)</b>
Finance costs, net	<b>(17,488)</b>
Profit before income tax	<b>145,911</b>
Income tax credit	<b>3,054</b>
Profit from continuing operations	<b>148,965</b>
Loss from discontinued operation	<b>(711)</b>
Profit for the year	<b>148,254</b>



For the year ended 31 December 2019

Steel cord  
HK\$'000

<u>Sales of goods</u>	
Segment revenue from external customers	2,139,930
Segment results	<u>204,719</u>
Unallocated amounts	
Rental income	1,450
Other losses, net and foreign exchange gains, net	(2,269)
Changes in fair values of investment properties	(718)
Expenses	(22,708)
Finance costs, net	<u>(64,704)</u>
Profit before income tax	115,770
Income tax expense	<u>(4,026)</u>
Profit from continuing operations	111,744
Loss from discontinued operation	<u>(3,400)</u>
Profit for the year	<u><u>108,344</u></u>

## 5. OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
Government grants ( <i>Note</i> )	<b>6,660</b>	13,190
Sales of scrap materials	<b>2,849</b>	3,701
	<u><b>9,509</b></u>	<u>16,891</u>

*Note:* The government grants mainly represented refund of social security contributions by the local governments in the PRC and approved subsidies from Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong Government (2019: refund of social security contributions and subsidies for business development by the local governments in the PRC).

## 6. OTHER LOSSES, NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Net fair value (losses) / gains on derivatives held for trading	(706)	2,228
Fair value loss on financial liability at fair value through profit or loss (Note 19)	(21,538)	(5,944)
Losses on disposals of property, plant and equipment, net	(20,443)	(995)
Impairment losses on property, plant and equipment (Note 13(b))	(16,234)	(9,745)
Others	(456)	1,277
	<b>(59,377)</b>	<b>(13,179)</b>

## 7. EXPENSES BY NATURE

Expenses included in cost of sales, distribution and selling expenses, administrative expenses and research and development expenses are analysed as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Cost of inventories sold (including net reversal of provision for / provision for inventories)	1,635,008	1,744,208
Employee benefit expense (including directors' emoluments)	210,377	217,242
Depreciation of property, plant and equipment	88,588	100,860
Depreciation of right-of-use assets	1,152	1,199
Amortisation of land use rights (Note 14)	2,578	1,929
Auditor's remuneration		
- Audit services	1,537	1,537
- Non-audit services	398	674

## 8. FINANCE COSTS, NET

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Finance income</b>		
Interest income on bank deposits	1,114	865
Foreign exchange gains on financial liability at fair value through profit or loss	9,705	-
Total finance income	<u>10,819</u>	<u>865</u>
<b>Finance costs</b>		
Interest expenses on bank borrowings	(24,273)	(37,667)
Interest expenses on loan from a related company	(670)	(8,261)
Interest expenses on lease liabilities	(55)	(115)
Amortisation of loan transaction costs	(1,593)	(1,994)
Foreign exchange losses on borrowings and financial liability at fair value through profit or loss	(1,716)	(17,532)
Total finance costs	<u>(28,307)</u>	<u>(65,569)</u>
Finance costs, net	<u>(17,488)</u>	<u>(64,704)</u>

## 9. INCOME TAX (CREDIT) / EXPENSE

	Year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
- China corporate income tax	7,551	4,003
Overprovision in prior years	(4,235)	(1,294)
Total current income tax	<u>3,316</u>	<u>2,709</u>
Deferred income tax	(6,370)	1,317
Income tax (credit) / expense	<u>(3,054)</u>	<u>4,026</u>
Income tax (credit) / expense is attributable to:		
- Continuing operations	(3,054)	4,026
- Discontinued operation	-	-
	<u>(3,054)</u>	<u>4,026</u>

No provision for Hong Kong profits tax for the year ended 31 December 2020 as there is no assessable profit subject to Hong Kong profits tax for both years (2019: same).

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the “CIT Law”), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable.

The applicable CIT tax rate for Jiaxing Eastern Steel Cord Co., Ltd. (“JESC”) and Tengzhou Eastern Steel Cord Co., Ltd. (“TESC”) was 15% for the year ended 31 December 2020 (2019: 15%), as they are qualified as High and New Technology Enterprise (“HNTE”).

## 10. DISCONTINUED OPERATION

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC. Accordingly, the financial results of the discontinued business are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as discontinued operation in accordance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operation” issued by the HKICPA. The financial performance presented is for the years ended 31 December 2020 and 2019.

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Other (losses) / gains, net	<b>(120)</b>	2
Expenses	<b>(659)</b>	(3,018)
Reversal of impairment losses / (net impairment losses) on financial assets	<b>67</b>	(521)
Finance income, net	<b>1</b>	137
Loss before income tax	<b>(711)</b>	(3,400)
Income tax expense	-	-
Loss from discontinued operation	<b>(711)</b>	(3,400)
<b>Other comprehensive income / (loss)</b>		
Exchange differences arising on translation into presentation currency	<b>2,542</b>	(1,094)
<b>Total comprehensive income / (loss) from discontinued operation</b>	<b>1,831</b>	(4,494)

## 11. DIVIDENDS

On 24 March 2020, the Board has recommended the payment of a final dividend of HK1 cent per fully paid ordinary share, with total amount of approximately HK\$19,064,000 for the year ended 31 December 2019, which was paid in June 2020.

On 22 March 2021, the Board has recommended the payment of a final dividend of HK1.5 cents per fully paid ordinary share, with total amount of approximately HK\$28,485,000 for the year ended 31 December 2020. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2020 has not been recognised as a liability as at 31 December 2020.

## 12. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Profit / (loss) attributable to the owners of the Company used in calculating basic earnings / (loss) per share:		
- Continuing operations ( <i>HK\$ '000</i> )	148,965	111,744
- Discontinued operation ( <i>HK\$ '000</i> )	(711)	(3,400)
	<u>148,254</u>	<u>108,344</u>
Weighted average number of ordinary shares in issue ( <i>shares</i> )	<u>1,908,733,015</u>	<u>1,922,900,556</u>
From continuing operations attributable to the owners of the Company ( <i>HK cents</i> )	7.80	5.81
From discontinued operation ( <i>HK cents</i> )	(0.04)	(0.18)
Basic earnings per share attributable to the owners of the Company ( <i>HK cents</i> )	<u>7.76</u>	<u>5.63</u>

**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category (2019: two categories) of potentially dilutive ordinary shares: convertible bonds (*Note 19*) (2019: convertible bonds and share options). For the convertible bonds, calculations are done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the year) based on the monetary value of the subscription rights attached to outstanding convertible bonds.

For the year ended 31 December 2020, convertible bonds issued are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic earnings per share (2019: same).

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
Profit / (loss) attributable to the owners of the Company used in calculating basic earnings / (loss) per share:		
- Continuing operations ( <i>HK\$ '000</i> )	<b>148,965</b>	111,744
- Discontinued operation ( <i>HK\$ '000</i> )	<b>(711)</b>	(3,400)
	<b>148,254</b>	108,344
Profit adjustment for convertible bonds ( <i>HK\$ '000</i> )	<b>11,833</b>	12,999
	<b>160,087</b>	121,343
Weighted average number of ordinary shares in issue ( <i>shares</i> )	<b>1,908,733,015</b>	1,922,900,556
Adjustment for convertible bonds ( <i>shares</i> )	<b>454,545,454</b>	403,486,924
Weighted average number of ordinary shares for diluted earnings per share ( <i>shares</i> )	<b>2,363,278,469</b>	2,326,387,480
From continuing operations attributable to the owners of the Company ( <i>HK cents</i> )	<b>6.80</b>	5.36
From discontinued operation ( <i>HK cents</i> )	<b>(0.03)</b>	(0.14)
Diluted earnings per share attributable to the owners of the Company ( <i>HK cents</i> )	<b>6.77</b>	5.22

### 13. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

#### (a) Investment properties

The movement of the net book amount for investment properties is as follows:

	Leasehold land and buildings <i>HK\$'000</i>
At 1 January 2019	55,449
Changes in fair values recognised in profit or loss	(718)
Exchange differences	(638)
At 31 December 2019	<u>54,093</u>
At 1 January 2020	<b>54,093</b>
Changes in fair values recognised in profit or loss	<b>(2,062)</b>
Exchange differences	<b>1,843</b>
At 31 December 2020	<u><b>53,874</b></u>

#### (b) Property, plant and equipment

The movement of the net book amount for property, plant and equipment is as follows:

	<i>HK\$'000</i>
At 1 January 2019	1,166,333
Additions	56,629
Disposals	(2,576)
Depreciation	(100,888)
Revaluation	(2,744)
Impairment loss ( <i>Note 6</i> )	(9,745)
Exchange differences	(28,747)
At 31 December 2019	<u>1,078,262</u>
At 1 January 2020	<b>1,078,262</b>
Additions	<b>150,145</b>
Disposals	<b>(26,350)</b>
Depreciation	<b>(88,609)</b>
Revaluation	<b>(2,009)</b>
Impairment loss ( <i>Note 6</i> )	<b>(16,234)</b>
Exchange differences	<b>82,969</b>
At 31 December 2020	<u><b>1,178,174</b></u>

## 14. LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent the prepaid lease payments under operating leases.

	Land use rights <i>HK\$'000</i>	Prepaid lease payments <i>HK\$'000</i>
At 1 January 2019	-	70,897
Reclassification on adoption of HKFRS 16	70,897	(70,897)
Additions	10,616	-
Amortisation ( <i>Note 7</i> )	(1,929)	-
Reversal of impairment losses ( <i>Note</i> )	17,456	-
Exchange differences	(1,413)	-
At 31 December 2019	<u>95,627</u>	<u>-</u>
At 1 January 2020	<b>95,627</b>	-
Amortisation ( <i>Note 7</i> )	<b>(2,578)</b>	-
Reversal of impairment losses ( <i>Note</i> )	<b>46,867</b>	-
Exchange differences	<b>6,131</b>	-
At 31 December 2020	<u><b>146,047</b></u>	<u>-</u>

Prepaid lease payments of HK\$70,897,000 have been reclassified to land use rights, being a part of the right-of-use assets of the Group as at 1 January 2019 upon the adoption of HKFRS 16. During the year, amortisation expense of HK\$2,578,000 (2019: HK\$1,929,000) has been included in costs of sales.

*Note:* In 2017, an impairment was made for the carrying amount of the land use rights for the three parcels of land amounted to HK\$72,500,000 after TESC received a notice regarding the rescission of confirmation letter in respect of successful bidding of state-owned land for construction from Tengzhou City Natural Resources Bureau (formerly known as Tengzhou Municipal State-owned Land Resources Bureau) regarding the Lands in the state of being idle.

In August 2019, Tengzhou City Natural Resources Bureau issued the land use right certificates to the Group. The Group obtained the construction project planning permit on the total planned construction area of 46,614 square meters in late October 2019 for TESC Phase II Project. The Group commenced the construction work in November 2019 and made a reversal of impairment losses on land use rights of HK\$17,456,000 accordingly.

In October 2020, the Group has obtained the construction project planning permit on the remaining area of 118,545 square meters and made a reversal of impairment losses on land use rights of HK\$46,867,000, representing the carrying amount that would have been determined had no impairment losses been recognised in previous years.



## 15. TRADE RECEIVABLES AND BILLS RECEIVABLE

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	667,874	600,817
Less: provision for impairment losses on trade receivables ( <i>Note (c)</i> )	(28,958)	(21,374)
	<u>638,916</u>	<u>579,443</u>
Bills receivable ( <i>Note (b)</i> )	871,869	898,284
	<u>1,510,785</u>	<u>1,477,727</u>

### (a) Trade receivables

The Group's credit terms to trade debtors range from 30 to 90 days. The aging analysis of the trade receivables primarily based on invoice date was as follows:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	482,983	407,713
91 to 180 days	129,328	156,211
Over 180 days	55,563	36,893
	<u>667,874</u>	<u>600,817</u>

### (b) Bills receivable

The aging analysis of the bills receivable primarily based on invoice date was as follows:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	142,861	103,376
91 to 180 days	374,399	320,396
Over 180 days	354,609	474,512
	<u>871,869</u>	<u>898,284</u>

As at 31 December 2020, the Group's bills receivable mature within one year (2019: same).

(c) **Provision for impairment losses on trade receivables**

The movement on the provision for impairment losses on trade receivables is as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
At beginning of the year	<b>21,374</b>	20,124
Net impairment losses / (reversal of impairment losses) on trade receivables for the year		
- Continuing operations	<b>6,274</b>	1,059
- Discontinued operation	<b>(67)</b>	521
Exchange differences	<b>1,377</b>	(330)
At end of the year	<b>28,958</b>	21,374

**16. TRADE AND BILLS PAYABLES AND OTHER PAYABLES AND ACCRUALS**

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables ( <i>Note (a)</i> )	<b>598,401</b>	569,666
Bills payable ( <i>Note (b)</i> )	<b>162,920</b>	137,344
	<b>761,321</b>	707,010
<b>Other payables and accruals - current</b>		
Contract liabilities ( <i>Note (c)</i> )	<b>2,156</b>	1,586
Accrued wages and salaries	<b>23,448</b>	22,921
Other tax payables	<b>10,370</b>	5,472
Other accruals	<b>4,239</b>	3,653
Other payables (including payables for property, plant and equipment)	<b>238,364</b>	135,472
	<b>278,577</b>	169,104

**(a) Trade payables**

The Group's credit period granted by the suppliers is 30 days. The aging analysis of the trade payables primarily based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Up to 30 days	<b>350,820</b>	135,320
31 to 90 days	<b>93,568</b>	193,141
91 to 180 days	<b>113,003</b>	203,667
181 to 365 days	<b>35,646</b>	36,221
Over 365 days	<b>5,364</b>	1,317
	<b>598,401</b>	<b>569,666</b>

**(b) Bills payable**

The aging analysis of the bills payable primarily based on invoice date was as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Up to 30 days	<b>23,763</b>	34,607
31 to 90 days	<b>46,516</b>	50,827
91 to 180 days	<b>92,641</b>	51,910
	<b>162,920</b>	<b>137,344</b>

**(c) Contract liabilities**

As at 31 December 2020, the contract liabilities for the advanced payments received from the customers included in the other payables and accruals amounted to HK\$2,156,000 (2019: HK\$1,586,000).

The Group applied the practical expedient and does not disclose the information relating to the remaining performance obligations that have original expected durations of one year or less.

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities balance at the beginning of the year amounted to HK\$1,586,000 (2019: HK\$125,000). The Group expects to deliver the goods to satisfy the remaining performance obligations of these contract liabilities within one year or less.

## 17. LOAN FROM A RELATED COMPANY

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan from Shougang (Hong Kong) Finance Company Limited ( <i>Note</i> )	-	57,644

*Note:*

As at 31 December 2019, the amount represented the loan from and interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited (“Shougang HK”). The Company is an associate of Shougang HK. The loan was unsecured, bears interest at 4.5% per annum and repayable within one year. The loan has been settled in full during the year ended 31 December 2020.

## 18. BANK BORROWINGS

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	426,321	445,840
Less: loan transaction costs	-	(1,593)
	<u>426,321</u>	<u>444,247</u>
Discounted bills with recourse	66,139	166,455
	<u>492,460</u>	<u>610,702</u>
Non-current portion	-	210,241
Current portion	492,460	400,461
	<u>492,460</u>	<u>610,702</u>
Secured	140,321	194,363
Unsecured	352,139	416,339
	<u>492,460</u>	<u>610,702</u>

The Group's bank borrowings were repayable as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	<b>492,460</b>	400,461
Between 1 and 2 years	-	210,241
	<b>492,460</b>	610,702

## **19. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS**

On 11 February 2019 (the "Issuance Date"), the Company issued convertible bonds in the principal amount of HK\$150,000,000 (the "Convertible Bonds") to Jingxi Holdings Limited ("Jingxi Holdings"), a wholly-owned subsidiary of Shougang Group Co., Ltd. ("Shougang Group", which is the substantial shareholder with significant influence of the Company). The consideration for the Convertible Bonds was HK\$150,000,000. The Convertible Bonds are interest bearing at a coupon rate of 4% per annum.

The holder of the Convertible Bonds has:

- (i) the option to demand the Company to redeem the Convertible Bonds on 11 February 2022 (the "Original Maturity Date") at 100% of the principal amount outstanding plus any accrued and unpaid interest;
- (ii) the option to convert the Convertible Bonds into ordinary shares of the Company at the Conversion Price based on certain conditions at the date of conversion falling 6 months from the Issuance Date and up to the maturity date of the Convertible Bonds; and
- (iii) the option to extend the Original Maturity Date twice by one year each to the date falling on 11 February 2024.

The Convertible Bonds, together with the abovementioned options, were designated as a financial liability at fair value through profit or loss.

The Convertible Bonds are initially recognised at the fair value as financial liability at fair value through profit or loss. The fair value of the Convertible Bonds as at 31 December 2020 was valued by the independent and professionally qualified valuer, Greater China Appraisal Limited (2019: same). The valuation was determined using the Black-Scholes model with Trinomial Tree Method (2019: same).

The movement of the financial liability at fair value through profit or loss during the year is as below:

	<b>Year ended 31 December</b>	
	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	<b>152,944</b>	-
Issuance of convertible bonds	-	150,000
Settlement	<b>(6,000)</b>	(3,000)
Fair value loss recognised in profit or loss ( <i>Note 6</i> )	<b>21,538</b>	5,944
	<b>168,482</b>	152,944

## 20. SHARE CAPITAL

	<b>Number of shares</b>	
	<i>Thousand</i>	<i>HK\$'000</i>
<b>Issued and fully paid</b>		
At 1 January 2019, 31 December 2019 and 1 January 2020	1,922,901	1,191,798
Cancellation of shares	(23,876)	-
At 31 December 2020	<b>1,899,025</b>	<b>1,191,798</b>

## 21. CAPITAL COMMITMENTS

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments in respect of the acquisition of property, plant and equipment		
- contracted for but not provided in the consolidated financial statements	<b>223,163</b>	143,513

## 22. OPERATING LEASE COMMITMENTS

### The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	<b>1,279</b>	1,530
In the second to fifth year inclusive	<b>533</b>	1,747
	<b>1,812</b>	3,277

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Review of operations

The Group is principally engaged in the manufacturing of steel cords for radial tyres, sawing wires and hose wires. For the year ended 31 December 2020, the Group's revenue for the continuing operations decreased by 4.7% to HK\$2,041,553,000 (2019: HK\$2,141,380,000); however, the cost of sales for the continuing operations decreased by 6.6% to HK\$1,647,231,000 (2019: HK\$1,763,436,000), therefore the gross profit and gross profit margin for the continuing operations increased to HK\$394,322,000 (2019: HK\$377,944,000) and 19.3% (2019: 17.6%) respectively. Though the amount of other net losses increased from HK\$13,179,000 to HK\$59,377,000 for the year ended 31 December 2020, which mainly included fair value loss on the Convertible Bonds, the net losses on disposals of old machineries and impairment losses on old machineries, the aforesaid losses were partially offset by the reversal of impairment losses on land use rights of HK\$46,867,000 during the year. Besides, the net finance costs during the year decreased from HK\$64,704,000 to HK\$17,488,000. Therefore, the Group's net profit for the year ended 31 December 2020 increased by 36.8% over last year of HK\$108,344,000 to HK\$148,254,000. During the year, the Group also recorded basic earnings per share of HK7.76 cents, an increase of approximately 37.8% when compared to the previous year of HK5.63 cents. Diluted earnings per share increased by 29.7% from HK5.22 cents in the previous year to HK6.77 cents. Despite the severe operating environment in 2020, the Group still generated positive cash inflow from operations and maintained a sustained healthy financial position. The Board has proposed a final dividend of HK1.5 cents per share in respect of the financial year ended 31 December 2020 (subject to shareholders' approval at the forthcoming annual general meeting), representing an increase of 50% year-on-year.

#### Continuing operations of steel cord segment

##### *Revenue*

During the year under review, there were full of challenges and uncertainties for the global market. The global outbreak of the COVID-19 pandemic began since the beginning of the year, in order to prevent the spread of the pandemic, various social life and economic activities were forced to be suspended or reduced, which inevitably caused the global economy to face downward pressure. In addition, the continuous tension of Sino-US trade relations brought many uncertainties to the global economic and political environment. Therefore, China's annual growth rate of GDP in 2020 fell to 2.3%.



For the year ended 31 December 2020, the Group's revenue of steel cord segment amounted to HK\$2,040,059,000 (2019: HK\$2,139,930,000), representing a decrease of 4.7% from the previous year. This is mainly because the outbreak of the COVID-19 pandemic in the first half of the year caused the average selling price of the steel cords to decrease with the drop in the cost of raw materials and export sales. However, our sales team made great effort on grasping every opportunity in the markets, so the total sales volumes of 2020 slightly increased by 1% over last year. This segment sold 195,421 tonnes of steel cord during the year, increased by 0.7% as compared to 194,006 tonnes last year. In respect of the sales of sawing wire products, it increased substantially by 161.9% from 160 tonnes to 419 tonnes for last year, attributable to our persistent effort in exploring new customers as well as the improvement of the photovoltaic, sapphire and magnetic material markets. There was an 4.1% increase in the sales of our other steel wires from 9,152 tonnes to 9,527 tonnes for last year. The sales volume of this segment for the year is set out below:

	Year ended 31 December		2019		% change
	2020	% of total sales volume of steel cord	2019	% of total sales volume of steel cord	
	Sales volume (Tonnes)		Sales volume (Tonnes)		
Steel cords for					
- truck tyres	133,534	68.4	130,080	67.0	+2.7
- off the road truck tyres	4,982	2.5	6,506	3.4	-23.4
- passenger car tyres	56,905	29.1	57,420	29.6	-0.9
Total for steel cords	195,421	100.0	194,006	100.0	+0.7
Sawing wire products	419		160		+161.9
Other steel wires	9,527		9,152		+4.1
Total	205,367		203,318		+1.0

There was no significant change in sales mix during the year, the proportion of sales of steel cord for truck tyres accounted for 68.4% of total sales volume of steel cord for the year, increased by 1.4 percentage points as compared to the previous year, it remained as the largest sales volume of steel cord of the Group for the year.

In respect of sales of steel cords by region, the volume of export sales amounted to 37,569 tonnes for the year, decreased by 6.4% as compared to 40,134 tonnes for last year. The volume of export sales represented 19.2% of total sales volume for the year, compared to 20.7% for last year. Since the World Health Organisation in March 2020 declared COVID-19 as a global pandemic, causing different levels of lockdown and quarantine measures around the world and has severely disrupted global economic activities. The recovery rate of social and economic activities in the overseas was lower than that in the PRC. The breakdown of sales volume of steel cords for the year by geographical location is as follows:

	Year ended 31 December				
	2020	% of	2019	% of	% change
	Sales volume (Tonnes)	total sales volume of steel cord	Sales volume (Tonnes)	total sales volume of steel cord	
PRC	<u>157,852</u>	<u>80.8</u>	<u>153,872</u>	<u>79.3</u>	+2.6
Export sales:					
Asia (other than PRC)	22,065	11.3	24,059	12.4	-8.3
EMEA (Europe, Middle East and Africa)	10,101	5.2	9,506	4.9	+6.3
North America	3,608	1.8	4,103	2.1	-12.1
South America	<u>1,795</u>	<u>0.9</u>	<u>2,466</u>	<u>1.3</u>	<u>-27.2</u>
Total export sales	<u>37,569</u>	<u>19.2</u>	<u>40,134</u>	<u>20.7</u>	<u>-6.4</u>
Total	<u><u>195,421</u></u>	<u><u>100.0</u></u>	<u><u>194,006</u></u>	<u><u>100.0</u></u>	<u><u>+0.7</u></u>

### *Gross profit*

Gross profit of this segment increased by 4.4% over last year's to HK\$392,932,000 (2019: HK\$376,502,000) for the year. Gross profit margin improved from 17.6% last year's to 19.3% for the year. This improvement was mainly because we implemented strict and effective cost control, our production costs reduced accordingly.

### **Discontinued operation of copper and brass products business**

#### *Overall performance*

In view of generating greater managerial focus and releasing internal resources for the Group to prioritise the profitable steel cord business, the Group ceased all the operation of the copper and brass products segment in September 2019. This business in 2020 contributed no revenue (2019: Nil) and recorded the loss of HK\$711,000 (2019: HK\$3,400,000), mainly due to administrative expenses required for closing the related business.

## FINANCIAL REVIEW

### Revenue

Revenue for the continuing operations of the Group amounted to HK\$2,041,553,000 (2019: HK\$2,141,380,000) for the year, decreased by 4.7% over last year. The breakdown of revenue for the continuing operations of the Group for the year is as follows:

	Year ended 31 December		2019		% change
	2020	% of total revenue	2019	% of total revenue	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cord	<b>2,040,059</b>	<b>99.9</b>	2,139,930	99.9	<b>-4.7</b>
Property rental	<b>1,494</b>	<b>0.1</b>	1,450	0.1	<b>3.0</b>
Total	<b>2,041,553</b>	<b>100.0</b>	<b>2,141,380</b>	<b>100.0</b>	<b>-4.7</b>

### Gross profit

Gross profit for the continuing operations of the Group increased by 4.3% over last year's to HK\$394,322,000 (2019: HK\$377,944,000), which was mainly due to the increase of gross profit of steel cord segment. Gross profit margin for the continuing operations of the Group also increased by 1.7 percentage points to 19.3% for the year as compared to that of last year. The breakdown of gross profit for the continuing operations of the Group for the year is as follows:

	Year ended 31 December		2019		% change
	2020	Gross profit margin (%)	2019	Gross profit margin (%)	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cord	<b>392,932</b>	<b>19.3</b>	376,502	17.6	<b>+4.4</b>
Property rental	<b>1,390</b>	<b>93.0</b>	1,442	99.4	<b>-3.6</b>
Total	<b>394,322</b>	<b>19.3</b>	<b>377,944</b>	<b>17.6</b>	<b>+4.3</b>

### Distribution and selling expenses

Distribution and selling expenses for the continuing operations amounted to HK\$84,149,000 (2019: HK\$90,033,000) for the year, decreased by 6.5% over last year's, mainly due to the decrease in export sales of steel cord segment.

## **Administrative expenses**

Administrative expenses for the continuing operations amounted to HK\$55,956,000 (2019: HK\$54,429,000) for the year, increased by 2.8% as compared to last year. This increase was primarily due to the land use right certificates received by TESC in August 2019, thus the amortisation of land use rights and the related administrative expenses for the year increased.

## **Research and development expenses**

Research and development expenses for the continuing operations of the Group amounted to HK\$71,404,000 for the year, decreased by 4.1% as compared to HK\$74,493,000 for last year. Such expenses were all incurred by the steel cord segment and whilst reduced during the year, our research and development effort has been able to align with the requirements from our tyres manufacturing customers.

## **Other income**

Other income for the continuing operations of the Group decreased by 43.7% from HK\$16,891,000 for the year ended 31 December 2019 to HK\$9,509,000 for the year ended 31 December 2020. This decrease was primarily due to the land use right certificates and the related one-time government grant received by TESC in 2019.

## **Other losses, net**

Other losses, net for the continuing operations of the Group increased by 350.5% from HK\$13,179,000 for the year ended 31 December 2019 to HK\$59,377,000 for the year ended 31 December 2020. This increase was primarily due to (i) an increase of HK\$6,489,000 in impairment losses on old and idel property, plant and equipment; (ii) an increase of HK\$15,594,000 in fair value loss on Convertible Bonds; and (iii) an increase of HK\$19,448,000 in net disposal loss of old and idel property, plant and equipment.

## **Reversal of impairment losses on land use rights**

Reversal of impairment losses on land use rights amount to HK\$46,867,000 for the year ended 31 December 2020 (2019: HK\$17,456,000) because the Group obtained the construction project planning permit on remaining area of TESC Phase II Project in October 2020.

## **Finance costs, net**

Finance costs, net for the continuing operations of the Group decreased by 73.0% from HK\$64,704,000 to HK\$17,488,000. This is mainly due to the decrease of interest expenses on bank borrowing and a related company's loan while the Group recorded foreign exchange gains on the Convertible Bonds during the year.

## **TREASURY AND FUNDING POLICIES**

The treasury and funding policies of the Group concentrate on the management of liquidity and the monitoring of financial risks, including interest rate risk, currency risk and counterparty risks. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a viable financial position.

Surplus funds of the Group are generally placed on short term deposits denominated in HKD, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group principally comprises bank loans and Convertible Bonds. The financing portfolio takes into consideration of the liquidity of the Group and interest costs.

## **SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES**

### **Share capital and net asset value**

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can maintain a sustainable growth and providing a long-term reasonable return to its Shareholders.

The total number of issued shares of the Company was at 1,899,024,556 Shares at 31 December 2020 (2019: 1,922,900,556 Shares). Net asset value of the Group was HK\$1,645,571,000 at 31 December 2020, increased by 16.3% as compared to HK\$1,415,072,000 at 31 December 2019. Net asset value per Share was HK\$0.867 at 31 December 2020, also increased by 17.8% as compared to HK\$0.736 at 31 December 2019.

### **Issuance of Convertible Bonds**

On 18 December 2018, the Company entered into the Subscription Agreement with Jingxi Holdings (a related party and a wholly-owned subsidiary of Shougang Fund) whereby the Company issued and Jingxi Holdings subscribed for the Convertible Bonds in the principal amount of HK\$150,000,000. The interest rate is 4.0% per annum while Conversion Price is HK\$0.33 per Share, with conversion available commencing 6 months from issuance date till end of term. Tenor is 3 years from issuance date which can be extended by Jingxi Holdings for one year twice to the date falling on the fifth anniversary of the issue date of the Convertible Bonds.

The Conversion Price was arrived at after arm's length negotiations between the Group and Jingxi Holdings with reference to the prevailing market prices of the Shares. On 11 February 2019, the issuance of the Convertible Bonds was completed. The net proceeds from the Subscription, after deducting the costs and expenses of approximately HK\$1 million, are approximately HK\$149 million and are expected to be used as follows: (i) as to approximately HK\$37.3 million for repaying interest-bearing borrowings with higher interest rate of the Group (excluding borrowings provided by Shougang HK and its related party(ies)); (ii) as to approximately HK\$110 million for funding the capital investment for the TESC Phase II Project subject to the construction cost and time needed to supplement the production need for both TESC and JESC; and (iii) as to approximately HK\$1.7 million, being the remaining proceeds for supplementing general working capital.

As at 31 December 2020, the Group had fully utilised the aforesaid proceeds in the manner as set out in the table below:

	<b>Net proceeds from the Subscription</b> <i>HK\$ million</i>	<b>Amount utilised up to 31 December 2019</b> <i>HK\$ million</i>	<b>Amount utilised during the year ended ended 31 December 2020</b> <i>HK\$ million</i>	<b>Amount unused as at 31 December 2020</b> <i>HK\$ million</i>
Repaying interest- bearing borrowings with higher interest rate of the Group	37.3	(37.3)	-	-
Funding the capital investment for the TESC Phase II Project	110.0	(31.8)	(78.2)	-
Supplementing general working capital	1.7	(1.7)	-	-
<b>Total</b>	<b>149.0</b>	<b>(70.8)</b>	<b>(78.2)</b>	<b>-</b>

### **Bank balances and cash and interest bearing borrowings**

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$177,570,000 at 31 December 2020, increased by 74.5% as compared to HK\$101,732,000 at 31 December 2019. Total interest bearing borrowings of the Group (comprised of loan from a related company, bank borrowings and Convertible Bonds) were HK\$660,942,000 at 31 December 2020, decreased by 19.5% as compared to HK\$821,290,000 at 31 December 2019. The amount of net interest bearing borrowings (total interest bearing borrowings less pledged bank deposits and bank balances and cash) therefore decreased from HK\$719,558,000 at 31 December 2019 to HK\$483,372,000 at 31 December 2020.

### **Debt and liquidity ratios**

Gearing ratio represented total interest bearing borrowings less bank balances and cash (including pledged bank deposits) divided by total equity of the Group and decreased markedly from 50.8% at 31 December 2019 to 29.4% at 31 December 2020. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.15 times at 31 December 2020 as compared to 1.28 times at 31 December 2019.

## **FOREIGN CURRENCY AND INTEREST RATE EXPOSURES**

The Group's source of revenue is mainly denominated in EUR, RMB and USD, while those of purchases and payments are mainly denominated in RMB and HKD. During the year under review, the Group managed its exchange rate exposures of EUR and USD denominated assets against RMB by entering into the foreign currency hedging contracts to sell EUR and USD against RMB with aggregate notional amount of EUR8,000,000 and USD10,000,000 respectively. These contracts were fully fixed during the year ended 31 December 2020.

In respect of exposure to interest rate risk, all the interest bearing borrowings at 31 December 2020 were at fixed instead of floating rates, the Group has not entered into any interest rate swaps on the floating rate borrowings. In light of the relatively lack lustre economic data published lately, the prevailing market view is a cut in interest rate and hence, we do not anticipate to conduct any interest rate swaps in the near term.

We will review and adjust the currency composition of our interest bearing borrowings from time to time to minimise our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimise our exchange and interest rate risks when needed.

## **CAPITAL COMMITMENTS**

At 31 December 2020, the Group had commitments in respect of property, plant and equipment amounted to HK\$223,163,000.

## **BUSINESS DEVELOPMENT PLAN**

In 2019, TESC entered into agreements with the relevant governmental authorities of Tengzhou in relation to the investment of a construction project to be carried out on the three parcels of land through a public auction in 2010 and 2011 (the "Lands"). Pursuant to the agreements, TESC shall invest in construction of the production lines for an annual capacity of 100,000 tonnes steel cords on the Lands. The Tengzhou governmental authorities shall assist TESC in the construction project, such as handling relevant procedures for the construction, facilitating in the construction of infrastructure of the project such as water, electricity and roads, and assisting in application of governmental policy support and applicable support funds.

The construction project has commenced to acquire the machineries and construct the factory plant, ancillary facilities and peripheral roads since November 2019. The project is carried out by phases according to the market conditions and the financial capacity of the Company from time to time. The new production line of brass wire in the project as aforementioned is expected to bring positive impact on the performance of the steel cord segment as some of the existing production of brass wires of JESC, which have been in use for over 20 years, incurs high maintenance and operation cost with relatively low production efficiency and quality instability. Besides, this project can drive the Group towards its goal to become an enterprise commanding an annual manufacturing capacity in excess of 300,000 tonnes of high-quality steel cords.

## **EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP**

At 31 December 2020, the Group had a total of 2,148 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalisation scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits or loss as they are incurred. The total employee benefit expense for the year amounted to approximately HK\$211 million.

The Group had also provided training programmes or courses for the mainland staff at all levels from different departments, and also for Directors and employees of the Company so as to further enhance their technical skills in production operation and management, professional skills and knowledge, respectively.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him / her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

During the year, no options were granted, exercised, cancelled and lapsed.



## **CONTINGENT LIABILITIES AND PLEDGE OF ASSETS**

The Group had no contingent liabilities at 31 December 2020.

At 31 December 2020, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$197,935,000;
2. Land use rights with an aggregate amount of HK\$62,175,000; and
3. Bank deposits of HK\$84,308,000.

## **BUSINESS OUTLOOK**

The world had been seriously affected by the COVID-19 pandemic and the implications for Hong Kong, a highly open international city, were relatively enormous. That practically sums up what most of the Hong Kong companies have been and will continue to face the impact of the COVID-19 pandemic in the near future albeit various vaccines are becoming available to the globe. In 2020, particularly in the second and third quarters, we have experienced a discernible regress in our export orders, primarily because the overseas manufacturers closed / suspended their manufacturing facilities outside of the PRC. Such closure / suspension has caused a material increase in orders from our Chinese tyre manufacturing customers to fill in the void. In 2021, the roll-out and efficacies of various vaccines are central to returning our daily life to normalcy, and a more balanced demand from domestic and export markets. And if they do, we are confident and optimistic about our business in light of the followings:

1. Through our diligence and conviction to reduce our costs of production, we are confident to make orderly investment in expanding our steel cord / wire production capacity at TESC which is expected to reach an annual capacity of 160,000 tonnes by second half of the year;
2. The PRC's macro-economic environment in infrastructure investment is expected to improve, this leads the sales in the auto and tyre industry to increase continuously;
3. We are also seeing some of our key tyre customers ramping up their production capacities, be it in the form of leasing unused machineries from defunct tyre manufacturers and / or expanding capacity within or outside of the PRC;
4. The steel cord industry has begun a certain level of consolidation. Indeed, we are aware that this might be a two-edged sword. On the plus side, supply will be lessened due to elimination of some manufacturers; but on the minus side, some of our competitors are getting bigger. However, we remain vigilant with our strength in brand and proven record in providing "value-for-money" and reliable products;
5. In the latter half of 2020, we have realigned our management team with the addition of seasoned professionals in export sales and research and development of product or production process;

6. Whilst making investment for the TESC expansion as aforementioned, we have also managed to reduce interest-bearing debt which is attributable to our persistent effort in receivable collection and resulting to a substantial decrease in finance expenses. Our uncompromising endeavour in managing cashflow should prepare us for any swing or headwind in our various markets; and
7. Steel cord / wire manufacturing is undoubtedly our mainstay but in 2021, we will make a dedicated exploration in other businesses which we believe to have either a synergetic effect on our principal business or be able to fuel our growth in the 14th Five Year Plan.

## **FINAL DIVIDEND**

The Board has recommended the payment of a final dividend of HK1.5 cents per fully paid ordinary share (2019: HK1 cent), with total amount of approximately HK\$28,485,000 for the year ended 31 December 2020, payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 21 June 2021. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2020 has not been recognised as a liability as at 31 December 2020.

Subject to Shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Monday, 7 June 2021, the final dividend is expected to be paid on or about Friday, 9 July 2021. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 21 June 2021 for registration.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 31 May 2021 to Monday, 7 June 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting which is scheduled to be held on Monday, 7 June 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 28 May 2021.

## SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 Standard 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 the preliminary announcement.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company was authorised at its annual general meetings to repurchase its own ordinary shares not exceeding 10% of the total number of its issued shares as at the dates of resolutions being passed. During the year, the Company repurchased its ordinary shares on the Stock Exchange when they were trading at a significant discount to the Company's net asset value in order to enhance shareholder value.

During the year ended 31 December 2020, the Company repurchased an aggregate of 20,086,000 ordinary shares for a total consideration of approximately HK\$4,208,640 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. The repurchased shares were cancelled in March, May, June, October and December 2020 respectively. Details of the shares repurchased are as follows:

Month of repurchase in 2020	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	2,044,000	0.218	0.196	426,918
February	3,486,000	0.240	0.214	793,364
March	600,000	0.207	0.202	122,668
April	5,224,000	0.215	0.199	1,091,632
May	1,340,000	0.210	0.205	279,214
June	1,900,000	0.205	0.199	381,740
July	1,520,000	0.214	0.205	318,512
August	920,000	0.208	0.197	184,922
September	1,776,000	0.205	0.198	356,426
October	1,190,000	0.203	0.197	236,124
December	86,000	0.202	0.199	17,120
	<u>20,086,000</u>			<u>4,208,640</u>

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE CODE**

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognises that effective risk management and internal control systems are crucial to the long term development of the Company. Thus, the Board reviews from time to time the daily corporate governance practices and procedures of the Company and its subsidiaries and procures the Company and its subsidiaries to strictly comply with the relevant laws and regulations, and the rules and guidelines of regulatory bodies, aiming to maintain sound and effective risk management and internal control systems of the Group, such as financial, operational and compliance controls and risk management functions. The Company has adopted the SCCHL Corporate Governance Code and the Internal Control Manual, which will be amended and revised where appropriate, in order to enhance the effectiveness of the corporate governance practices and the risk management and internal control systems, and to get in line with the relevant amendments of law, rules and regulations.

In the opinion of the Board, the Company has complied with all the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the year ended 31 December 2020, except for deviations from code provisions A.2.1 and D.1.4 of the Code as below:

### **Deviation from code provision A.2.1 of Code**

The roles of chairman and managing director in the Company are performed by Mr. Su Fanrong (“Mr. Su”) which constitutes the deviation from the code provision A.2.1 of the Code which stipulates that the roles of chairman and managing director should be separate and should not be performed by the same person. In consideration of Mr. Su’s extensive knowledge and experience in various aspects, in particular the management in the steel industry and sales area, the Board considers this present arrangement still enables the Company to make decisions promptly in the formulation and implementation of the Company’s strategies in achieving corporate goals. Notwithstanding the deviation, the Board is of the view that there are sufficient checks and balances amongst the Board to reach decisions in the interests of the Company and its Shareholders as a whole. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the managing Director into two individuals.

### **Deviation from code provision D.1.4 of Code**

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

## **ACKNOWLEDGEMENTS**

On behalf of the Board, I would like to express sincere gratitude to all Shareholders, suppliers and customers for their longstanding support. I would also like to thank my fellow members on the Board and the staff members of the Group for their unwavering commitment to the Group's business. I am confident that the Group will continue to explore and capture opportunities in the coming year and beyond.

## **FORWARD LOOKING STATEMENTS**

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the meanings set out below:

“2002 Scheme”	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
“2012 Scheme”	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the SFO)
“Board”	the board of Directors
“Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company” / “Shougang Century”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main board of the Stock Exchange
“Conversion Price”	HK\$0.33 per conversion share (subject to adjustments)
“Convertible Bonds”	the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of HK\$150,000,000 due 2022 (extendable to 2024) issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Group”	the Company and its subsidiaries
“HKD” / “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaying Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Jingxi Holdings”	Jingxi Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Fund
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Fund”	Beijing Shougang Fund Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 December 2018 entered into between the Company and Jingxi Holdings in relation to the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“TESC Phase II Project”	the construction project of production lines
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

By order of the Board  
**Shougang Concord Century Holdings Limited**  
**SU Fanrong**  
*Chairman and Managing Director*

Hong Kong, 22 March 2021

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

*Mr. Su Fanrong (Chairman and Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).*

*This final results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/scCentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2020 Annual Report will be despatched to Shareholders and made available on the above websites in due course.*