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SHOUGANG CENTURY HOLDINGS LIMITED
首 佳 科 技 製 造 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

	2022	2021	Change
Revenue from continuing operations (<i>HK\$'000</i>)	2,464,242	2,694,810	-8.6%
Gross profit from continuing operations (<i>HK\$'000</i>)	330,540	414,547	-20.3%
Profit for the year (<i>HK\$'000</i>)	47,858	80,879	-40.8%
Total equity (<i>HK\$'000</i>)	1,657,743	1,732,946	-4.3%
Gearing ratio (<i>Note</i>)	21.8%	24.1%	-2.3pp

The Board has proposed a final dividend of HK0.73 cent per Share in respect of the financial year ended 31 December 2022 (subject to Shareholders' approval at the forthcoming annual general meeting).

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 2022 and that final results were reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	Notes	HK\$'000	HK\$'000
Continuing operations			
Revenue	3	2,464,242	2,694,810
Cost of sales	7	(2,133,702)	(2,280,263)
Gross profit		330,540	414,547
Other income	5	20,738	4,062
Other gains / (losses), net	6	21,498	(22,622)
Selling and distribution expenses	7	(114,563)	(131,628)
Administrative expenses	7	(58,307)	(57,423)
Research and development expenses	7	(103,335)	(103,676)
Foreign exchange gains / (losses), net		11,708	(10,196)
Changes in fair values of investment properties (Net impairment losses) / net reversal of impairment losses on financial assets	13(a) 15(c)	1,138 (1,114)	2,650 7,396
Finance costs, net	8	(50,615)	(13,401)
Profit before income tax		57,688	89,709
Income tax expense	9	(9,830)	(8,830)
Profit from continuing operations		47,858	80,879
Discontinued operation			
Loss from discontinued operation	10	-	-
Profit for the year		47,858	80,879
		<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)	2.44	4.26
Diluted	12(b)	1.71	4.11
Earnings per share for profit for the year attributable to the owners of the Company			
Basic	12(a)	2.44	4.26
Diluted	12(b)	1.71	4.11

	Notes	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Profit for the year		<u>47,858</u>	<u>80,879</u>
Other comprehensive (loss) / income arising from continuing operations			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		(147,094)	41,668
Revaluation of leasehold land and buildings	13(b)	34,898	(8,229)
Recognition of deferred income tax (liability) / asset on revaluation of leasehold land and buildings		(5,225)	1,208
		<u>(117,421)</u>	<u>34,647</u>
Other comprehensive income arising from discontinued operation			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency	10	-	433
Total comprehensive (loss) / income for the year, net of tax		<u>(69,563)</u>	<u>115,959</u>
Total comprehensive (loss) / income for the year arises from:			
Continuing operations		(69,563)	115,526
Discontinued operation	10	-	433
		<u>(69,563)</u>	<u>115,959</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties	13(a)	55,637	57,446
Property, plant and equipment	13(b)	1,187,280	1,306,197
Right-of-use assets		1,665	2,914
Land use rights	14	130,142	146,264
Intangible assets		-	-
Prepayments and deposits		20,928	38,592
Deferred income tax assets		1,505	467
Total non-current assets		1,397,157	1,551,880
Current assets			
Inventories		422,303	463,878
Trade receivables	15	565,447	795,968
Bills receivables	15	653,069	812,204
Prepayments, deposits and other receivables		63,546	77,803
Current income tax recoverable		-	2,637
Pledged bank deposits		80,101	195,867
Bank balances and cash		145,807	73,487
Total current assets		1,930,273	2,421,844
Total assets		3,327,430	3,973,724
LIABILITIES			
Non-current liabilities			
Other payables		102	278
Lease liabilities		446	1,738
Deferred income tax liabilities		28,007	23,448
Total non-current liabilities		28,555	25,464
Current liabilities			
Trade and bills payables	16	800,885	1,119,498
Other payables and accruals	16	245,910	405,273
Current income tax liabilities		6,419	1,631
Loan from a related company	17	-	24,570
Bank borrowings	18	454,552	479,838
Lease liabilities		1,292	1,226
Financial liability at fair value through profit or loss	19	132,074	183,278
Total current liabilities		1,641,132	2,215,314
Total liabilities		1,669,687	2,240,778
EQUITY			
Share capital	20	1,215,798	1,191,798
Reserves		441,945	541,148
Total equity		1,657,743	1,732,946
Total equity and liabilities		3,327,430	3,973,724

NOTES:

1. GENERAL INFORMATION

Shougang 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 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 2021 and 2022 included in this preliminary announcement of annual results 2022 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 2021 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 2022 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 adopted by the Group

The Group has applied the following new and amended standards for the first time for the annual reporting period commencing from 1 January 2022:

Annual Improvements Projects	Annual Improvements to HKFRSs 2018 - 2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
HKFRS 16	Covid-19-Related Rent Concessions beyond 2021 (amendments)
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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 period.

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

Certain new and amended standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 - Comparative Information	1 January 2023

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statement - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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 and amended standards and interpretations that are relevant to the Group upon initial application. It is not yet in a position to state whether these standards, interpretations, and amendments will have a significant impact on the Group's results of operations and financial position.

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Sales of goods - Manufacturing of steel cords	2,462,767	2,693,480
Rental income	1,475	1,330
	<u>2,464,242</u>	<u>2,694,810</u>

4. SEGMENT INFORMATION

The Company's managing director, being the chief operating decision-maker ("CODM"), examines the Group's performance and allocates resources from a product perspective. The Group's operations are currently organised into one reportable segment which is steel cord segment.

Segment results represent the profit or loss of each segment without allocation of changes in fair value 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 2022

	Steel cord HK\$'000
<u>Sales of goods</u>	
Segment revenue from external customers	2,462,767
Segment results	<u>101,213</u>
Unallocated amounts	
Rental income	1,475
Other income	312
Other gains, net and foreign exchange gains, net	17,117
Changes in fair values of investment properties	1,138
Expenses	(12,952)
Finance costs, net	<u>(50,615)</u>
Profit before income tax	57,688
Income tax expense	<u>(9,830)</u>
Profit from continuing operations	47,858
Loss from discontinued operation	<u>-</u>
Profit for the year	<u><u>47,858</u></u>

For the year ended 31 December 2021

	Steel cord <i>HK\$'000</i>
<u>Sales of goods</u>	
Segment revenue from external customers	2,693,480
Segment results	<u>145,276</u>
Unallocated amounts	
Rental income	1,330
Other losses, net and foreign exchange losses, net	(24,951)
Changes in fair values of investment properties	2,650
Expenses	(21,195)
Finance costs, net	<u>(13,401)</u>
Profit before income tax	89,709
Income tax expense	<u>(8,830)</u>
Profit from continuing operations	80,879
Loss from discontinued operation	<u>-</u>
Profit for the year	<u><u>80,879</u></u>

5. OTHER INCOME

	Year ended 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Government grants (<i>Note</i>)	19,032	1,308
Sales of scrap materials	1,706	2,754
	<u>20,738</u>	<u>4,062</u>

Note: The government grants mainly represented financial supports for business development by the local governments in the PRC and approved subsidies from Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong Government (2021: subsidies for business development by the local governments in the PRC). There are no unfulfilled conditions or other contingencies attaching to these grants.

6. OTHER GAINS / (LOSSES), NET

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Fair value gain / (loss) on financial liability at fair value through profit or loss (<i>Note 19</i>)	21,700	(20,796)
(Losses) / gains on disposals of property, plant and equipment, net	(92)	660
Impairment losses on property, plant and equipment (<i>Note 13(b)</i>)	(112)	(3,095)
Others	2	609
	<u>21,498</u>	<u>(22,622)</u>

7. EXPENSES BY NATURE

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Cost of inventories sold (including net provision / net reversal of provision for inventories)	2,123,039	2,265,721
Employee benefit expense (including directors' emoluments)	261,756	267,931
Depreciation of property, plant and equipment (<i>Note 13(b)</i>)	105,929	104,668
Depreciation of right-of-use assets	1,249	1,217
Amortisation of land use rights (<i>Note 14</i>)	3,891	4,016
Auditor's remuneration		
- Audit services	1,537	1,537
- Non-audit services	398	398
	<u>398</u>	<u>398</u>

8. FINANCE COSTS, NET

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Continuing operations		
Finance income		
Interest income on bank deposits	2,246	1,426
Foreign exchange gain on borrowings	-	5,074
Foreign exchange gain on financial liability at fair value through profit or loss (<i>Note</i>)	-	4,872
Total finance income	<u>2,246</u>	<u>11,372</u>
Finance costs		
Interest expenses on bank borrowings	(22,747)	(22,296)
Interest expenses on loan from a related company	(1,049)	(784)
Interest expenses on lease liabilities	(126)	(123)
Amortisation of loan transaction costs	(389)	(1,570)
Foreign exchange losses on borrowings	(14,479)	-
Foreign exchange loss on financial liability at fair value through profit or loss (<i>Note</i>)	(14,071)	-
Total finance costs	<u>(52,861)</u>	<u>(24,773)</u>
Finance costs, net	<u>(50,615)</u>	<u>(13,401)</u>

Note: It represented fair value change on financial liability at fair value through profit or loss attributable to foreign exchange translation (*Note 19*).

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current income tax:		
- China corporate income tax	11,085	8,741
Over-provision in prior years	(550)	(3,334)
Total current income tax	<u>10,535</u>	<u>5,407</u>
Deferred income tax	(705)	3,423
Income tax expense	<u>9,830</u>	<u>8,830</u>
Income tax expense is attributable to:		
- Continuing operations	<u>9,830</u>	<u>8,830</u>

No provision for Hong Kong profits tax for the year ended 31 December 2022 as there is no assessable profit subject to Hong Kong profits tax (2021: 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”) were 15% for the year (2021: 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 2022 and 2021.

	Year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from discontinued operation	-	-
Other comprehensive income		
Exchange differences arising on translation into presentation currency	-	433
Total comprehensive income from discontinued operation	-	433

11. DIVIDENDS

On 25 March 2022, 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\$29,571,000 for the year ended 31 December 2021. The dividend was paid in July 2022.

On 24 March 2023, the Board has recommended the payment of a final dividend of HK0.73 cent per fully paid ordinary share, with total amount of approximately HK\$14,391,000 for the year ended 31 December 2022. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2022 has not been recognised as a liability as at 31 December 2022.

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	
	2022	2021
Profit attributable to the owners of the Company used in calculating basic earnings per share:		
- Continuing operations (<i>HK\$'000</i>)	47,858	80,879
- Discontinued operation (<i>HK\$'000</i>)	-	-
	<u>47,858</u>	<u>80,879</u>
Weighted average number of ordinary shares in issue (<i>shares</i>)	<u>1,964,007,474</u>	<u>1,898,752,435</u>
From continuing operations attributable to the owners of the Company (<i>HK cents</i>)	2.44	4.26
From discontinued operation (<i>HK cents</i>)	-	-
Basic earnings per share attributable to the owners of the Company (<i>HK cents</i>)	<u>2.44</u>	<u>4.26</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 of potentially dilutive ordinary shares: convertible bonds (Note 19) (2021: same). 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 2022, 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 (2021: same).

Subsequent to 31 December 2022, the Convertible Bonds were matured in February 2023 and the Company has made full redemption of outstanding principal amount of HK\$126,000,000 of the Convertible Bonds.

	Year ended 31 December	
	2022	2021
Profit attributable to the owners of the Company used in calculating basic earnings per share:		
- Continuing operations (HK\$ '000)	47,858	80,879
- Discontinued operation (HK\$ '000)	-	-
	47,858	80,879
(Loss) / profit adjustment for convertible bonds (HK\$ '000)	(7,629)	15,925
	40,229	96,804
Weighted average number of ordinary shares in issue (shares)	1,964,007,474	1,898,752,435
Adjustment for convertible bonds (shares)	381,818,182	454,545,454
Weighted average number of ordinary shares for diluted earnings per share (shares)	2,345,825,656	2,353,297,889
From continuing operations attributable to the owners of the Company (HK cents)	1.71	4.11
From discontinued operation (HK cents)	-	-
Diluted earnings per share attributable to the owners of the Company (HK cents)	1.71	4.11

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 2021	53,874
Changes in fair values recognised in profit or loss	2,650
Exchange differences	922
At 31 December 2021	<u>57,446</u>
At 1 January 2022	57,446
Changes in fair values recognised in profit or loss	1,138
Exchange differences	(2,947)
At 31 December 2022	<u>55,637</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 2021	1,178,174
Additions	208,972
Disposals	(4,505)
Depreciation (<i>Note 7</i>)	(104,668)
Revaluation	(8,229)
Impairment loss (<i>Note 6</i>)	(3,095)
Exchange differences	39,548
At 31 December 2021	<u>1,306,197</u>
At 1 January 2022	1,306,197
Additions	70,703
Disposals	(1,678)
Depreciation (<i>Note 7</i>)	(105,929)
Revaluation	34,898
Impairment loss (<i>Note 6</i>)	(112)
Exchange differences	(116,799)
At 31 December 2022	<u>1,187,280</u>

14. LAND USE RIGHTS

The Group's interests in land use rights represent the prepaid lease payments under operating leases, being a part of the right-of-use assets of the Group.

	<i>HK\$'000</i>
At 1 January 2021	146,047
Amortisation (<i>Note 7</i>)	(4,016)
Exchange differences	4,233
At 31 December 2021	<u>146,264</u>
At 1 January 2022	146,264
Amortisation (<i>Note 7</i>)	(3,891)
Exchange differences	(12,231)
At 31 December 2022	<u>130,142</u>

During the year, amortisation expense of HK\$3,891,000 (2021: HK\$4,016,000) has been included in costs of sales.

15. TRADE RECEIVABLES AND BILLS RECEIVABLES

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	587,033	818,370
Less: provision for impairment losses on trade receivables (<i>Note (c)</i>)	(21,586)	(22,402)
	<u>565,447</u>	<u>795,968</u>
Bills receivables (<i>Note (b)</i>)	653,069	812,204
	<u>1,218,516</u>	<u>1,608,172</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 based on invoice date was as follows:

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	317,331	559,209
91 to 180 days	202,979	200,425
Over 180 days	66,723	58,736
	<u>587,033</u>	<u>818,370</u>

(b) Bills receivables

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

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 90 days	34,226	97,875
91 to 180 days	288,126	361,525
Over 180 days	330,717	352,804
	<u>653,069</u>	<u>812,204</u>

As at 31 December 2022, the Group's bills receivables mature within one year (2021: same).

(c) Provision for impairment losses on trade receivables

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
At beginning of the year	22,402	28,958
Net impairment losses / (net reversal of impairment losses) on trade receivables for the year		
- Continuing operations	1,114	(7,396)
- Discontinued operation	-	-
Exchange differences	(1,930)	840
At end of the year	21,586	22,402

16. TRADE AND BILLS PAYABLES / OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	601,058	625,882
Bills payables (<i>Note (b)</i>)	199,827	493,616
	800,885	1,119,498
Other payables and accruals - current		
Contract liabilities (<i>Note (c)</i>)	861	922
Accrued wages and salaries	25,372	27,412
Other tax payables	7,336	8,645
Other accruals	8,088	7,762
Other payables (including payables for property, plant and equipment)	204,253	360,532
	245,910	405,273

(a) Trade payables

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Up to 30 days	164,146	234,388
31 to 90 days	135,552	200,353
91 to 180 days	232,148	124,141
181 to 365 days	62,714	60,457
Over 365 days	6,498	6,543
	<u>601,058</u>	<u>625,882</u>

(b) Bills payable

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Up to 30 days	15,673	132,620
31 to 90 days	37,984	48,546
91 to 180 days	139,065	301,733
Over 180 days	7,105	10,717
	<u>199,827</u>	<u>493,616</u>

(c) Contract liabilities

As at 31 December 2022, the contract liabilities for the advanced payments received from the customers included in the other payables and accruals amounted to HK\$861,000 (2021: HK\$922,000).

Revenue recognised during the year ended 31 December 2022 that was included in the contract liabilities balance at the beginning of the year amounted to HK\$922,000 (2021: HK\$2,156,000). 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	
	2022	2021
	HK\$'000	HK\$'000
Loan from South China International Leasing Co., Ltd. ("South China Leasing") (Note)	-	24,570

Note:

On 31 May 2021, TESC, an indirect wholly owned subsidiary of the Company, had entered into the finance lease agreement ("Agreement") with South China Leasing, an associate of Shougang Holding (Hong Kong) Limited ("Shougang HK"), whereby TESC agreed to sell certain machineries and equipment ("Machineries and Equipment") to South China Leasing at the purchase consideration of RMB20,000,000 (equivalent to approximately HK\$24,000,000) and South China Leasing agreed to lease back the Machineries and Equipment to TESC for the lease consideration of approximately RMB21,800,000 (equivalent to approximately HK\$26,160,000), comprising the rental principal of RMB20,000,000 (equivalent to approximately HK\$24,000,000), the lease interest of approximately RMB1,650,000 (equivalent to approximately HK\$1,980,000) calculated on the basis of fixed interest rate of 5.5% per annum and the lease handling fee of RMB150,000 (equivalent to approximately HK\$180,000), for a lease term of eighteen (18) months.

As collaterals for the above financing, (i) TESC transferred the ownership title of Machineries and Equipment to South China Leasing; and (ii) the Company entered into a guarantee agreement in favour of South China Leasing for the payment obligations of TESC under the Agreement.

Upon discharging TESC's obligations under the Agreement, South China Leasing will return the ownership title of the Machineries and Equipment to TESC for a nominal purchase price of RMB2,000 (equivalent to approximately HK\$2,400). Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the substance of the Agreement.

The loan from South China Leasing was fully settled in December 2022.

18. BANK BORROWINGS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Bank loans	454,217	397,620
Discounted bills with recourse	335	82,218
	<u>454,552</u>	<u>479,838</u>
Current portion	<u>454,552</u>	<u>479,838</u>
Secured	335	153,195
Unsecured	454,217	326,643
	<u>454,552</u>	<u>479,838</u>

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 1 year	<u>454,552</u>	<u>479,838</u>

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 a conversion price derived 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 2022 was valued by the independent and professionally qualified valuer, Greater China Appraisal Limited (2021: same). The valuation was determined using Black-Scholes model with Trinominal Tree method (2021: same).

During the year ended 31 December 2022, the Company received from the holder of the Convertible Bonds an extension notice to extend the maturity date to 11 February 2023 and a conversion notice to convert the Convertible Bonds in the principal amount of HK\$24,000,000 at the conversion price of HK\$0.33 per share. The conversion shares were issued on 7 February 2022. As a result of conversion and revaluation of the remaining extended Convertible Bonds, a gain on fair value of HK\$21,700,000 was recorded in profit or loss during the year ended 31 December 2022.

Subsequent to 31 December 2022, the Convertible Bonds were matured in February 2023 and the Company has made full redemption of outstanding principal amount of HK\$126,000,000 of the Convertible Bonds.

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

	Year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	183,278	168,482
Settlement	(5,504)	(6,000)
Conversion	(24,000)	-
Fair value (gain) / loss recognised in profit or loss (<i>Note 6</i>)	(21,700)	20,796
At end of the year	132,074	183,278

20. SHARE CAPITAL

	Number of shares	
	<i>Thousand</i>	<i>HK\$'000</i>
Issued and fully paid		
At 1 January 2021	1,899,025	1,191,798
Cancellation of shares	(372)	-
At 31 December 2021 and 1 January 2022	<u>1,898,653</u>	<u>1,191,798</u>
Conversion of convertible bonds	72,727	24,000
At 31 December 2022	<u><u>1,971,380</u></u>	<u><u>1,215,798</u></u>

21. CAPITAL COMMITMENTS

	As at 31 December	
	2022	2021
	<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	<u>119,083</u>	<u>59,132</u>

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,103	1,044
In the second to fifth year inclusive	<u>576</u>	<u>496</u>
	<u><u>1,679</u></u>	<u><u>1,540</u></u>

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 2022, the Group recorded revenue of the continuing operations of approximately HK\$2,464,242,000 (2021: HK\$2,694,810,000), representing a decrease of approximately 8.6% as compared with the last year. Meanwhile, the gross profit for the continuing operations decreased by 20.3% to HK\$330,540,000 (2021: HK\$414,547,000). Therefore, the Group's net profit decreased by 40.8% from same period last year of HK\$80,879,000 to HK\$47,858,000. The Board considers that the decrease in profit after tax was mainly attributable to the impact of the resurgence of the COVID-19 pandemic on economic activities, which led to (i) a decline in automotive sales and reduction in transportation volume, weakening the demand of accessorial and replacement tyres; and (ii) the fact that the increase in production costs could not be fully passed to the downstream, resulting in the reduction in gross profit.

Despite the above situation, the Group's overall operational and financial position remains stable. Bank and cash balances (including pledged bank deposits) as at 31 December 2022 were HK\$225,908,000. In response to the current challenging operating environment under the ongoing COVID-19 pandemic and the volatile international economic conditions stemmed from geopolitical conflicts, the Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations to improve efficiency and profitability. The Board has proposed a final dividend of HK0.73 cent per Share in respect of the financial year ended 31 December 2022 (subject to Shareholders' approval at the forthcoming annual general meeting).

Continuing operations of steel cord segment

Revenue

During the year under review, there were full of challenges and uncertainties for the global market. The lingering effects of the protracted global pandemic, rising geopolitical tensions, soaring energy prices and escalating interest rate hikes have conflated to batter and bruise the world economy. In China, the economy continued to be hit hard by numerous unexpected factors including multiple outbreaks, extreme weather of severe heatwave, etc. As a result, the pressure of declining demand, supply disruption and expected weakening of the economy continued to evolve, while the level of complexity, severity and uncertainty of the development environment increased. China's gross domestic product ("GDP") grew by 3.0% in 2022, a sharp slowdown from the 8.1% pace recorded in 2021.

For the year ended 31 December 2022, the Group's revenue of steel cord segment amounted to HK\$2,462,767,000 (2021: HK\$2,693,480,000), representing a decrease of 8.6% from the previous year. Affected by the weaker demand of radial tyres, the steel cord segment sold 193,701 tonnes of steel cord during the period, decreased by 10.8% as compared to 217,105 tonnes last year. In respect of the sales of sawing wire products, it increased by 25.8% from 598 tonnes to 752 tonnes for the corresponding period 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 a 5.6% decrease in the sales of our other wire products from 9,410 tonnes to 8,886 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:

	Year ended 31 December				
	2022	% of		2021	
	Sales	total sales	Sales	% of	
	volume	volume of	volume	total sales	%
	(Tonnes)	steel cords	(Tonnes)	volume of	change
				steel cords	
Steel cords for:					
- truck tyres	113,889	58.8	146,965	67.7	-22.5
- off the road truck tyres	10,628	5.5	7,390	3.4	+43.8
- passenger car tyres	69,184	35.7	62,750	28.9	+10.3
Total for steel cords	193,701	100.0	217,105	100.0	-10.8
Sawing wire products	752		598		+25.8
Other steel wires	8,886		9,410		-5.6
Total	203,339		227,113		-10.5

There was no significant change in sales mix during the year, the proportion of sales of steel cords for truck tyres accounted for 58.8% of total sales volume of steel cords for the year, decreased by 8.9 percentage points as compared to the previous year, it remained as the largest sales volume of steel cords of the Group for the year. Attributable to the great effort made by our sales team, the sales of steel cords for off the road truck tyres increased by 43.8% to 10,628 tonnes from 7,390 tonnes last year.

In respect of sales of steel cords by region, the volume of export sales amounted to 72,304 tonnes for the year, increased by 9.3% as compared to 66,160 tonnes last year. The volume of export sales represented 37.3% of total sales volume for the year, compared to 30.5% for last year, signalling the increasing recognition of our brand to the international tyres manufacturers. The breakdown of sales volume of steel cords for the year by geographical location is as follows:

	Year ended 31 December				% change
	2022	% of	2021	% of	
	Sales volume (Tonnes)	total sales volume of steel cords	Sales volume (Tonnes)	total sales volume of steel cords	
PRC	<u>121,397</u>	<u>62.7</u>	<u>150,945</u>	<u>69.5</u>	-19.6
Export sales:					
Asia (other than PRC)	36,001	18.6	35,977	16.6	+0.1
EMEA (Europe, Middle East and Africa)	21,446	11.1	18,391	8.5	+16.6
North America	9,569	4.9	6,332	2.9	+51.1
South America	5,288	2.7	5,460	2.5	-3.2
Total export sales	<u>72,304</u>	<u>37.3</u>	<u>66,160</u>	<u>30.5</u>	+9.3
Total	<u>193,701</u>	<u>100.0</u>	<u>217,105</u>	<u>100.0</u>	-10.8

Gross profit

Gross profit of this segment decreased by 20.4% over last year to HK\$329,236,000 (2021: HK\$413,360,000) for the year. The gross profit margin also decreased from 15.3% over last year to 13.4% for the year. This was mainly because the increase in production costs could not be fully passed to the downstream.

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 operations of the copper and brass products segment in September 2019. This business recorded no revenue and loss for the year ended 31 December 2022 and 2021.

FINANCIAL REVIEW

Revenue

Revenue for the continuing operations of the Group amounted to HK\$2,464,242,000 (2021: HK\$2,694,810,000) for the year, decreased by 8.6% over last year. The breakdown of revenue for the continuing operations of the Group for the year is as follows:

	Year ended 31 December				% change
	2022	% of total revenue	2021	% of total revenue	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cords	2,462,767	99.9	2,693,480	99.9	-8.6
Property rental	1,475	0.1	1,330	0.1	+10.9
Total	<u>2,464,242</u>	<u>100.0</u>	<u>2,694,810</u>	<u>100.0</u>	-8.6

Gross profit

Gross profit for the continuing operations of the Group decreased by 20.3% over last year to HK\$330,540,000 (2021: HK\$414,547,000), which was mainly due to the decrease of gross profit of steel cord segment. Accordingly, the gross profit margin for the continuing operations of the Group decreased by 1.9 percentage points to 13.4% 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				% change
	2022	Gross profit margin (%)	2021	Gross profit margin (%)	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cords	329,236	13.4	413,360	15.3	-20.4
Property rental	1,304	88.4	1,187	89.2	+9.9
Total	<u>330,540</u>	<u>13.4</u>	<u>414,547</u>	<u>15.4</u>	-20.3

Selling and distribution expenses

Selling and distribution expenses for the continuing operations amounted to HK\$114,563,000 (2021: HK\$131,628,000) for the year, decreased by 13.0% over last year, mainly due to the decrease in sales of steel cord segment.

Administrative expenses

Administrative expenses for the continuing operations amounted to HK\$58,307,000 (2021: HK\$57,423,000) for the year, increased by 1.5% as compared to last year. The Group would continue to implement the cost control measures.

Research and development expenses

Research and development expenses for the continuing operations of the Group amounted to HK\$103,335,000 for the year, decreased by 0.3% as compared to HK\$103,676,000 for last year. Such expenses were all incurred by the steel cord segment for aligning with the requirements from our tyres manufacturing customers.

Other income

Other income for the continuing operations of the Group increased by 410.5% from HK\$4,062,000 for the year ended 31 December 2021 to HK\$20,738,000 for the year ended 31 December 2022. This was primarily due to increase in government grants.

Other gains / (losses), net

Other gains / (losses), net for the continuing operations of the Group for the year ended 31 December 2022 recorded the gains of HK\$21,498,000 while that for the year ended 31 December 2021 was the losses of HK\$22,622,000. This was primarily due to HK\$21,700,000 in fair value gain on Convertible Bonds in the current year.

Finance costs, net

Finance costs, net for the continuing operations of the Group increased by 277.7% from HK\$13,401,000 to HK\$50,615,000 for the year. This is mainly because the Group recorded foreign exchange losses on borrowings and Convertible Bonds of HK\$14,479,000 and HK\$14,071,000 respectively during the current 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 risk. 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, EUR, 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 1,971,379,828 Shares at 31 December 2022 (2021: 1,898,652,556 Shares). Net asset value of the Group was HK\$1,657,743,000 at 31 December 2022, decreased by 4.3% as compared to HK\$1,732,946,000 at 31 December 2021. Net asset value per Share was HK\$0.84 at 31 December 2022, also decreased by 7.7% as compared to HK\$0.91 at 31 December 2021.

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 11 February 2024.

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. Subsequent to 31 December 2021, the Company received from Jingxi Holdings an extension notice to extend the maturity date to 11 February 2023 and a conversion notice to convert the Convertible Bonds in the principal amount of HK\$24,000,000 at the Conversion Price of HK\$0.33 per Conversion Share. The Conversion Shares were issued in February 2022.

In February 2023, the Convertible Bonds matured. The Company has made full redemption of outstanding principal amount of HK\$126,000,000 of the Convertible Bonds, in accordance with the terms and conditions of the Convertible Bonds.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$225,908,000 at 31 December 2022, decreased by 16.1% as compared to HK\$269,354,000 at 31 December 2021. Total interest bearing borrowings of the Group were HK\$586,626,000 (comprised of bank borrowings and Convertible Bonds) at 31 December 2022, decreased by 14.7% as compared to HK\$687,686,000 (comprised of loan from a related company, bank borrowings and Convertible Bonds) at 31 December 2021. The amount of net interest bearing borrowings (total interest bearing borrowings less pledged bank deposits and bank balances and cash) therefore decreased from HK\$418,332,000 at 31 December 2021 to HK\$360,718,000 at 31 December 2022.

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 from 24.1% at 31 December 2021 to 21.8% at 31 December 2022. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.18 times at 31 December 2022 as compared to 1.09 times at 31 December 2021.

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 HKD, RMB and USD. In respect of exposure to interest rate risk, all the interest bearing borrowings at 31 December 2022 were mainly at fixed rates. During the year, the Group did not use any derivatives instrument for hedging purposes.

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 2022, the Group had commitments in respect of property, plant and equipment amounted to HK\$119,083,000.

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. Facing the growing automotive and tyre market, the Group strives to enhance its productivity. During the year under review, the Group continued to propel an expansion plan at TESC. Our steel cord / wire production capacity at TESC was expanded to reach an annual production capacity of 160,000 tonnes. Together with the annual capacity of 80,000 tonnes at JESC, the Group’s annual production capacity of steel cords increased to 240,000 tonnes. Since the increase in productivity significantly enhances the Group’s core competitiveness and profitability, the Group continues to make great strides towards its goal to manufacture over 300,000 tonnes of high-quality steel cords annually.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2022, the Group had a total of 2,363 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 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\$262 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 adopted a share option scheme (the "Scheme") at the annual general meeting held on 25 May 2012, which became effective on 29 May 2012 (the "Effective Date") upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares falling to be issued and allotted upon the exercise of the share options granted, and remain in force for a period of ten years from the Effective Date. The Scheme has expired on 28 May 2022.

Since the adoption of the Scheme, no options have been granted, exercised, lapsed, cancelled or outstanding thereunder until it expired on 28 May 2022. No new share option scheme has been adopted after the expiration of the Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 31 December 2022.

At 31 December 2022, the carrying amounts of assets pledged as security for bank borrowings and bills payables are:

1. Bills receivables of HK\$335,000; and
2. Bank deposits of HK\$80,101,000.

BUSINESS OUTLOOK

The COVID-19 epidemic has spread globally and severely hit the world economy since 2020. Following the implementation of effective measures to prevent and control the epidemic, China has gradually resumed steady economic growth since the late first quarter of 2020. In 2022, severe COVID-19 epidemic outbreaks in China significantly affected the Company's business and operating profit. Besides, the threat posed by the Sino-American relations and the Russia-Ukraine conflict still brought certain impacts in 2022 which have led to supply chain disruptions lasting longer than expected, and such global supply has caused further inflation in many countries. Therefore, it resulted in the decrease in the net profit for the year ended 31 December 2022. But we, Shougang Century, are confident and optimistic about our business in light of the followings:

- The moderation of the epidemic and gradual relaxation of the government across the globe's quarantine measures had a positive effect on returning our daily life to normalcy gradually. Therefore, the expected goal of China's development in 2023 is to increase the GDP by approximately 5% and its economy is expected to continue to return to its potential growth rate;
- To continue the construction of our production lines at TESC to facilitate the expansion plan of an additional 100,000 tonnes of steel cord manufacturing capacity within the 14th Five-Year Plan;

- The PRC's macro-economic environment in infrastructure investment is expected to improve, this leads the sales in the automotive and tyre industry to increase continuously;
- By taking into consideration the Chinese government's regulations on energy conservation and emission reduction, the constant increase in output of electric cars drives demand for their accessorial tyres, which will in turn expedite the market expansion of steel cords for domestic radial tyres and bring a more ample room for development to steel cord industry in the long term; and
- To reduce carbon emissions through reduction of energy consumption, application of clean energy, research and development on low-carbon products, the application of new technologies and new equipment and so on, the Group can achieve the green, low-carbon and sustainable corporate development and fulfil social responsibilities.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.73 cent per fully paid ordinary share (2021: HK1.5 cents), with total amount of approximately HK\$14,391,000 for the year ended 31 December 2022 (2021: HK\$29,571,000), payable to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 17 July 2023. The final dividend is subject to the Shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2022 has not been recognised as a liability as at 31 December 2022.

Subject to Shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Monday, 26 June 2023, the final dividend is expected to be paid on or about Monday, 31 July 2023. 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 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. (Hong Kong time) on Monday, 17 July 2023, for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 June 2023 to Monday, 26 June 2023, 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, 26 June 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Friday, 16 June 2023.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 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 audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022, the Company repurchased an aggregate of 344,000 ordinary shares for a total consideration of HK\$69,196 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. All the aforesaid repurchased shares were cancelled in February 2023. Details of the shares repurchased are as follows:

Month of repurchase in 2022	Number of shares repurchased	Consideration per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
September	104,000	0.210	0.206	21,448
October	240,000	0.206	0.190	47,748
Total	<u>344,000</u>			<u>69,196</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 SCHL 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 (the “Code Provisions”) of the Code and also the SCHL Corporate Governance Code, except for the deviation from Code Provision C.2.1 of the Code throughout the year ended 31 December 2022 and the deviation from Code Provision C.3.3 of the Code during the period from 1 January 2022 to 31 July 2022, the details of which are set out below:

Deviation from Code Provision C.2.1 of Code

The roles of chairman and managing Director are performed by Mr. Su Fanrong (“Mr. Su”) which constitutes the deviation from the Code Provision C.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. In addition, the Board comprises individuals with experienced, high-calibre and adequate independent element in the composition of the Board, and major decisions are made in consultation with the Board members, relevant Board committees and management. The Board is therefore 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 C.3.3 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. Adam Touhig (“Mr. Touhig”) as a non-executive director of the Company. During the period from 1 January 2022 to 31 July 2022, Mr. Touhig does not have any formal letter of appointment setting out the key terms and conditions of his appointment on 15 January 2021, which deviated from the Code Provision C.3.3 of the Code. Therefore, a service contract has been entered into between Mr. Touhig and the Company for a fixed term commencing from 1 August 2022 to 31 December 2024, in which Mr. Touhig is currently entitled to receive a director’s fee of HK\$150,000 per annum which is determined with reference to his experience and duties, his role played in the Board, the Company’s performance and profitability, the remuneration benchmark in the industry and the prevailing market conditions.

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:

“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 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)
“Conversion Rights”	the rights to convert the Convertible Bonds into Conversion Shares
“Conversion Share(s)”	the Share(s) to be issued by the Company upon the holder(s) of the Convertible Bonds exercising its/their Conversion Rights attached to the Convertible Bonds in accordance with the terms and conditions of the instrument constituting the Convertible Bonds
“Convertible Bonds”	the 4% unsecured fixed coupon convertible bonds 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

“SCHL Corporate Governance Code”	Shougang 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 Century Holdings Limited
SU Fanrong
Chairman and Managing Director

Hong Kong, 24 March 2023

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

Mr. Su Fanrong (Chairman and Managing Director), Mr. Yang Junlin (Deputy 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/shougangcentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2022 Annual Report will be despatched to Shareholders and made available on the above websites in due course.