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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 2021

HIGHLIGHTS

	2021	2020	Change
Revenue from continuing operations (<i>HK\$'000</i>)	2,694,810	2,041,553	+32.0%
Gross profit from continuing operations (<i>HK\$'000</i>)	414,547	394,322	+5.1%
Profit for the year (<i>HK\$'000</i>)	80,879	148,254	-45.4%
Earnings per Share for profit for the year attributable to the owners of the Company (<i>HK cents</i>)			
Basic	4.26	7.76	-45.1%
Diluted	4.11	6.77	-39.3%
Total equity (<i>HK\$'000</i>)	1,732,946	1,645,571	+5.3%
Net asset value per Share (<i>HK\$</i>)	0.91	0.87	+4.6%
Proposed final dividend per Share (<i>HK cents</i>)	1.5	1.5	N/A
Gearing ratio (<i>Note</i>)	24.1%	29.4%	-5.3pp

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 2021 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 2021

		Year ended 31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
Continuing operations			
Revenue	3	2,694,810	2,041,553
Cost of sales	7	(2,280,263)	(1,647,231)
Gross profit		<u>414,547</u>	<u>394,322</u>
Other income	5	4,062	9,509
Other losses, net	6	(22,622)	(59,377)
Selling and distribution expenses	7	(131,628)	(84,149)
Administrative expenses	7	(57,423)	(55,956)
Research and development expenses	7	(103,676)	(71,404)
Foreign exchange losses, net		(10,196)	(8,077)
Changes in fair values of investment properties	13(a)	2,650	(2,062)
Reversal of impairment losses on land use rights	14	-	46,867
Net reversal of impairment losses / (net impairment losses) on financial assets	15(c)	7,396	(6,274)
Finance costs, net	8	(13,401)	(17,488)
Profit before income tax		<u>89,709</u>	<u>145,911</u>
Income tax (expense) / credit	9	(8,830)	3,054
Profit from continuing operations		<u>80,879</u>	<u>148,965</u>
Discontinued operation			
Loss from discontinued operation	10	-	(711)
Profit for the year		<u>80,879</u>	<u>148,254</u>
		<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)	4.26	7.80
Diluted	12(b)	4.11	6.80
Earnings per share for profit for the year attributable to the owners of the Company			
Basic	12(a)	4.26	7.76
Diluted	12(b)	4.11	6.77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
Profit for the year		<u>80,879</u>	<u>148,254</u>
Other comprehensive income / (loss) arising from continuing operations			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		41,668	104,698
Revaluation of leasehold land and buildings	13(b)	(8,229)	(2,009)
Recognition of deferred income tax asset on revaluation of leasehold land and buildings		1,208	287
		<u>34,647</u>	<u>102,976</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	2,542
Total comprehensive income for the year, net of tax		<u><u>115,959</u></u>	<u><u>253,772</u></u>
Total comprehensive income for the year arises from:			
Continuing operations		115,526	251,941
Discontinued operation	10	433	1,831
		<u><u>115,959</u></u>	<u><u>253,772</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		As at 31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Investment properties	13(a)	57,446	53,874
Property, plant and equipment	13(b)	1,306,197	1,178,174
Right-of-use assets		2,914	384
Land use rights	14	146,264	146,047
Intangible assets		-	-
Prepayments and deposits		38,592	33,951
Deferred income tax assets		467	-
Total non-current assets		1,551,880	1,412,430
Current assets			
Inventories		463,878	246,638
Trade receivables	15	795,968	638,916
Bills receivable	15	812,204	871,869
Prepayments, deposits and other receivables		77,803	24,484
Current income tax recoverable		2,637	-
Pledged bank deposits		195,867	84,308
Bank balances and cash		73,487	93,262
Total current assets		2,421,844	1,959,477
Total assets		3,973,724	3,371,907
LIABILITIES			
Non-current liabilities			
Other payables		278	259
Lease liabilities		1,738	-
Deferred income tax liabilities		23,448	20,339
Total non-current liabilities		25,464	20,598
Current liabilities			
Trade and bills payables	16	1,119,498	761,321
Other payables and accruals	16	405,273	278,577
Current income tax liabilities		1,631	4,494
Loan from a related company	17	24,570	-
Bank borrowings	18	479,838	492,460
Lease liabilities		1,226	404
Financial liability at fair value through profit or loss	19	183,278	168,482
Total current liabilities		2,215,314	1,705,738
Total liabilities		2,240,778	1,726,336
EQUITY			
Share capital	20	1,191,798	1,191,798
Reserves		541,148	453,773
Total equity		1,732,946	1,645,571
Total equity and liabilities		3,973,724	3,371,907

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. GENERAL INFORMATION

Shougang Century Holdings Limited (formerly known as 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 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 2020 and 2021 included in this preliminary announcement of annual results 2021 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 2020 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 2021 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 2021:

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform (Phase 2)
HKFRS 7, HKFRS 9 and HKFRS 16

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 2021 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
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

Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
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
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. 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Sales of goods - Manufacturing of steel cords	2,693,480	2,040,059
Rental income	1,330	1,494
	2,694,810	2,041,553

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 2021

	Steel cord <i>HK\$'000</i>
<u>Sales of goods</u>	
Segment revenue from external customers	2,693,480
Segment results	145,276
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	(13,401)
Profit before income tax	89,709
Income tax expense	(8,830)
Profit from continuing operations	80,879
Loss from discontinued operation	-
Profit for the year	80,879

For the year ended 31 December 2020

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

5. OTHER INCOME

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Continuing operations		
Government grants (<i>Note</i>)	1,308	6,660
Sales of scrap materials	2,754	2,849
	<u>4,062</u>	<u>9,509</u>

Note: The government grants mainly represented subsidies for business development by the local governments in the PRC (2020: subsidies for business development and 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).

6. OTHER LOSSES, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Net fair value losses on derivatives held for trading	-	(706)
Fair value loss on financial liability at fair value through profit or loss (<i>Note 19</i>)	(20,796)	(21,538)
Gains / (losses) on disposals of property, plant and equipment, net	660	(20,443)
Impairment losses on property, plant and equipment (<i>Note 13(b)</i>)	(3,095)	(16,234)
Others	609	(456)
	(22,622)	(59,377)

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	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Cost of inventories sold (including net reversal of provision for inventories)	2,265,721	1,635,008
Employee benefit expense (including directors' emoluments)	267,931	210,377
Depreciation of property, plant and equipment	104,668	88,588
Depreciation of right-of-use assets	1,217	1,152
Amortisation of land use rights (<i>Note 14</i>)	4,016	2,578
Auditor's remuneration		
- Audit services	1,537	1,537
- Non-audit services	398	398

8. FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Continuing operations		
Finance income		
Interest income on bank deposits	1,426	1,114
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	9,705
Total finance income	<u>11,372</u>	<u>10,819</u>
Finance costs		
Interest expenses on bank borrowings	(22,296)	(24,273)
Interest expenses on loan from a related company	(784)	(670)
Interest expenses on lease liabilities	(123)	(55)
Amortisation of loan transaction costs	(1,570)	(1,593)
Foreign exchange losses on borrowings	-	(1,716)
Total finance costs	<u>(24,773)</u>	<u>(28,307)</u>
Finance costs, net	<u>(13,401)</u>	<u>(17,488)</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 / (CREDIT)

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax:		
- China corporate income tax	8,741	7,551
Overprovision in prior years	(3,334)	(4,235)
Total current income tax	<u>5,407</u>	<u>3,316</u>
Deferred income tax	3,423	(6,370)
Income tax expense / (credit)	<u>8,830</u>	<u>(3,054)</u>
Income tax expense / (credit) is attributable to:		
- Continuing operations	<u>8,830</u>	<u>(3,054)</u>

No provision for Hong Kong profits tax for the year ended 31 December 2021 as there is no assessable profit subject to Hong Kong profits tax (2020: 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 (2020: 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 2021 and 2020.

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other losses, net	-	(120)
Expenses	-	(659)
Reversal of impairment losses on financial assets	-	67
Finance income, net	-	1
Loss before income tax	-	(711)
Income tax expense	-	-
Loss from discontinued operation	-	(711)
Other comprehensive income		
Exchange differences arising on translation into presentation currency	433	2,542
Total comprehensive income from discontinued operation	433	1,831

11. DIVIDENDS

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\$28,480,000 for the year ended 31 December 2020. The dividend was paid in July 2021.

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 final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

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	
	2021	2020
Profit / (loss) attributable to the owners of the Company used in calculating basic earnings per share:		
- Continuing operations (<i>HK\$'000</i>)	80,879	148,965
- Discontinued operation (<i>HK\$'000</i>)	-	(711)
	<u>80,879</u>	<u>148,254</u>
Weighted average number of ordinary shares in issue (<i>shares</i>)	<u>1,898,752,435</u>	<u>1,908,733,015</u>
From continuing operations attributable to the owners of the Company (<i>HK cents</i>)	4.26	7.80
From discontinued operation (<i>HK cents</i>)	-	(0.04)
Basic earnings per share attributable to the owners of the Company (<i>HK cents</i>)	<u>4.26</u>	<u>7.76</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*) (2020: 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 2021, 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 (2020: same).

	Year ended 31 December	
	2021	2020
Profit / (loss) attributable to the owners of the Company used in calculating basic earnings per share:		
- Continuing operations (<i>HK\$ '000</i>)	80,879	148,965
- Discontinued operation (<i>HK\$ '000</i>)	-	(711)
	80,879	148,254
Profit adjustment for convertible bonds (<i>HK\$ '000</i>)	15,925	11,833
	96,804	160,087
Weighted average number of ordinary shares in issue (<i>shares</i>)	1,898,752,435	1,908,733,015
Adjustment for convertible bonds (<i>shares</i>)	454,545,454	454,545,454
Weighted average number of ordinary shares for diluted earnings per share (<i>shares</i>)	2,353,297,889	2,363,278,469
From continuing operations attributable to the owners of the Company (<i>HK cents</i>)	4.11	6.80
From discontinued operation (<i>HK cents</i>)	-	(0.03)
Diluted earnings per share attributable to the owners of the Company (<i>HK cents</i>)	4.11	6.77

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 2020	54,093
Changes in fair values recognised in profit or loss	(2,062)
Exchange differences	1,843
At 31 December 2020	<u>53,874</u>
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>

(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 2020	1,078,262
Additions	150,145
Disposals	(26,350)
Depreciation	(88,609)
Revaluation	(2,009)
Impairment loss (<i>Note 6</i>)	(16,234)
Exchange differences	82,969
At 31 December 2020	<u>1,178,174</u>
At 1 January 2021	1,178,174
Additions	208,972
Disposals	(4,505)
Depreciation	(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>

14. LAND USE RIGHTS

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

	<i>HK\$ '000</i>
At 1 January 2020	95,627
Amortisation (<i>Note 7</i>)	(2,578)
Reversal of impairment losses (<i>Note</i>)	46,867
Exchange differences	6,131
At 31 December 2020	<u>146,047</u>
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>

During the year, amortisation expense of HK\$4,016,000 (2020: HK\$2,578,000) 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	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables (<i>Note (a)</i>)	818,370	667,874
Less: provision for impairment losses on trade receivables (<i>Note (c)</i>)	(22,402)	(28,958)
	<u>795,968</u>	<u>638,916</u>
Bills receivable (<i>Note (b)</i>)	812,204	871,869
	<u>1,608,172</u>	<u>1,510,785</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	
	2021	2020
	HK\$'000	HK\$'000
Up to 90 days	559,209	482,983
91 to 180 days	200,425	129,328
Over 180 days	58,736	55,563
	<u>818,370</u>	<u>667,874</u>

(b) Bills receivable

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Up to 90 days	97,875	142,861
91 to 180 days	361,525	374,399
Over 180 days	352,804	354,609
	<u>812,204</u>	<u>871,869</u>

As at 31 December 2021, the Group's bills receivable mature within one year (2020: 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	
	2021	2020
	HK\$'000	HK\$'000
At beginning of the year	28,958	21,374
(Net reversal of impairment losses) / net impairment losses on trade receivables for the year		
- Continuing operations	(7,396)	6,274
- Discontinued operation	-	(67)
Exchange differences	840	1,377
At end of the year	22,402	28,958

16. TRADE AND BILLS PAYABLES AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	625,882	598,401
Bills payable (<i>Note (b)</i>)	493,616	162,920
	1,119,498	761,321
Other payables and accruals - current		
Contract liabilities (<i>Note (c)</i>)	922	2,156
Accrued wages and salaries	27,412	23,448
Other tax payables	8,645	10,370
Other accruals	7,762	4,239
Other payables (including payables for property, plant and equipment)	360,532	238,364
	405,273	278,577

(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:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Up to 30 days	234,388	350,820
31 to 90 days	200,353	93,568
91 to 180 days	124,141	113,003
181 to 365 days	60,457	35,646
Over 365 days	6,543	5,364
	<u>625,882</u>	<u>598,401</u>

(b) Bills payable

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Up to 30 days	132,620	23,763
31 to 90 days	48,546	46,516
91 to 180 days	301,733	92,641
Over 180 days	10,717	-
	<u>493,616</u>	<u>162,920</u>

(c) Contract liabilities

As at 31 December 2021, the contract liabilities for the advanced payments received from the customers included in the other payables and accruals amounted to HK\$922,000 (2020: HK\$2,156,000).

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities balance at the beginning of the year amounted to HK\$2,156,000 (2020: HK\$1,586,000). 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	
	2021	2020
	HK\$'000	HK\$'000
Loan from South China International Leasing Co., Ltd. ("South China Leasing") (Note)	<u>24,570</u>	<u>-</u>

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.

18. BANK BORROWINGS

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Bank loans	397,620	426,321
Discounted bills with recourse	82,218	66,139
	<u>479,838</u>	<u>492,460</u>
Non-current portion	-	-
Current portion	<u>479,838</u>	<u>492,460</u>
	<u>479,838</u>	<u>492,460</u>
Secured	153,195	140,321
Unsecured	326,643	352,139
	<u>479,838</u>	<u>492,460</u>

The Group's bank borrowings were repayable as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Within 1 year	<u>479,838</u>	<u>492,460</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 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 2021 was valued by the independent and professionally qualified valuer, Greater China Appraisal Limited (2020: same). The valuation was determined using Black-Scholes model with Trinominal Tree method (2020: same).

Subsequent to 31 December 2021, 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.

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

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	168,482	152,944
Settlement	(6,000)	(6,000)
Fair value loss recognised in profit or loss (<i>Note 6</i>)	20,796	21,538
At end of the year	183,278	168,482

20. SHARE CAPITAL

	Number of shares	
	<i>Thousand</i>	<i>HK\$'000</i>
Issued and fully paid		
At 1 January 2020	1,922,901	1,191,798
Cancellation of shares	(23,876)	-
At 31 December 2020 and 1 January 2021	1,899,025	1,191,798
Cancellation of shares	(372)	-
At 31 December 2021	1,898,653	1,191,798

21. CAPITAL COMMITMENTS

	As at 31 December	
	2021	2020
	<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	59,132	223,163

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,044	1,279
In the second to fifth year inclusive	496	533
	1,540	1,812

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 2021, the Group's revenue for the continuing operations increased by 32.0% to HK\$2,694,810,000 (2020: HK\$2,041,553,000), this is benefited from an increase in production capacity of the Group's production base and selling prices, the Group's total revenue recorded growth. However, the economy in the second half of 2021 was affected by the rebound of the epidemic, the business environment of the Group's business was full of challenges. Therefore, the Group's net profit for the year ended 31 December 2021 decreased by 45.4% over last year of HK\$148,254,000 to HK\$80,879,000. The Board considers that the decrease in profit after tax was mainly attributable to:

- the decrease in gross profit margin due to the fact that the substantial increase in raw material prices and ocean freight rates in the second half of 2021 had not been passed to the customers in time;
- the increase in selling and distribution expenses; and
- the absence of a non-recurring income of approximately HK\$46,867,000 arising from the reversal of impairment loss on land use rights for the year ended 31 December 2020.

Despite the severe operating environment in 2021, 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 2021 (subject to Shareholders' approval at the forthcoming annual general meeting). In February 2022, the Board announced the Company's dividend distribution plan for the financial years from 2021 to 2023 which allows the Shareholders to participate in the Group's profits, thereby obtaining the continued support and confidence of the Shareholders and recognizing the value of the Group serving the Shareholders.

Continuing operations of steel cord segment

Revenue

During the year under review, there were full of challenges and uncertainties for the global market. In the first half of 2021, with epidemic generally being controlled in China, industries were gradually recovering. The PRC's gross domestic product ("GDP") in the second quarter of 2021 has increased by approximately 7.9% as compared with the corresponding period last year, achieving a stable development. However, the variant virus of COVID-19 in the second half of 2021 caused global supply chain disruptions, and elevated logistics and input costs. 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 2021 was 8.1% with GDP growth reaching 4.0% in the fourth quarters.

For the year ended 31 December 2021, the Group's revenue of steel cord segment amounted to HK\$2,693,480,000 (2020: HK\$2,040,059,000), representing an increase of 32.0% from the previous year. This is mainly because of the increase of the average selling price of the steel cords with the rise in the cost of raw materials and export sales. Besides, our sales team made great effort on grasping every opportunity in the markets, so the total sales volumes of 2021 increased by 10.6% over last year. This segment sold 217,105 tonnes of steel cords during the year, increased by 11.1% as compared to 195,421 tonnes last year. In respect of the sales of sawing wire products, it increased substantially by 42.7% from 419 tonnes to 598 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 a 1.2% decrease in the sales of our other steel wires from 9,527 tonnes to 9,410 tonnes for last year. The sales volume of this segment for the year is set out below:

	Year ended 31 December		2020		% change
	2021	% of total sales volume of steel cords	2020	% of total sales volume of steel cords	
	Sales volume (Tonnes)		Sales volume (Tonnes)		
Steel cords for:					
- truck tyres	146,965	67.7	133,534	68.4	+10.1
- off the road truck tyres	7,390	3.4	4,982	2.5	+48.3
- passenger car tyres	62,750	28.9	56,905	29.1	+10.3
Total for steel cords	217,105	100.0	195,421	100.0	+11.1
Sawing wire products	598		419		+42.7
Other steel wires	9,410		9,527		-1.2
Total	227,113		205,367		+10.6

There was no significant change in sales mix during the year, the proportion of sales of steel cords for truck tyres accounted for 67.7% of total sales volume of steel cords for the year, decreased by 0.7 percentage point as compared to the previous year, it remained as the largest sales volume of steel cords of the Group for the year.

In respect of sales of steel cords by region, the volume of export sales amounted to 66,160 tonnes for the year, increased by 76.1% as compared to 37,569 tonnes last year. The volume of export sales represented 30.5% of total sales volume for the year, compared to 19.2% 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
	2021	% of total sales volume of steel cords	2020	% of total sales volume of steel cords	
	Sales volume (Tonnes)		Sales volume (Tonnes)		
PRC	150,945	69.5	157,852	80.8	-4.4
Export sales:					
Asia (other than PRC)	35,977	16.6	22,065	11.3	+63.1
EMEA (Europe, Middle East and Africa)	18,391	8.5	10,101	5.2	+82.1
North America	6,332	2.9	3,608	1.8	+75.5
South America	5,460	2.5	1,795	0.9	+204.2
Total export sales	66,160	30.5	37,569	19.2	+76.1
Total	217,105	100.0	195,421	100.0	+11.1

Gross profit

Gross profit of this segment increased by 5.2% over last year to HK\$413,360,000 (2020: HK\$392,932,000) for the year. However, the gross profit margin decreased from 19.3% over last year to 15.3% for the year. This was mainly because the substantial increase in raw material prices and ocean freight rates in the second half of 2021 had not been passed to the customers in time.

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 in 2021 recorded no revenue (2020: Nil) and loss (2020: loss of HK\$711,000).

FINANCIAL REVIEW

Revenue

Revenue for the continuing operations of the Group amounted to HK\$2,694,810,000 (2020: HK\$2,041,553,000) for the year, increased by 32.0% over last year. The breakdown of revenue for the continuing operations of the Group for the year is as follows:

	Year ended 31 December		2020		% change
	2021	% of total revenue	2020	% of total revenue	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cords	2,693,480	99.9	2,040,059	99.9	+32.0
Property rental	1,330	0.1	1,494	0.1	-11.0
Total	<u>2,694,810</u>	<u>100.0</u>	<u>2,041,553</u>	<u>100.0</u>	+32.0

Gross profit

Gross profit for the continuing operations of the Group increased by 5.1% over last year to HK\$414,547,000 (2020: HK\$394,322,000), which was mainly due to the increase of gross profit of steel cord segment. However, the gross profit margin for the continuing operations of the Group decreased by 3.9 percentage points to 15.4% 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		2020		% change
	2021	Gross profit margin (%)	2020	Gross profit margin (%)	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cords	413,360	15.3	392,932	19.3	+5.2
Property rental	1,187	89.2	1,390	93.0	-14.6
Total	<u>414,547</u>	<u>15.4</u>	<u>394,322</u>	<u>19.3</u>	+5.1

Selling and distribution expenses

Selling and distribution expenses for the continuing operations amounted to HK\$131,628,000 (2020: HK\$84,149,000) for the year, increased by 56.4% over last year, mainly due to the increase in export sales of steel cord segment.

Administrative expenses

Administrative expenses for the continuing operations amounted to HK\$57,423,000 (2020: HK\$55,956,000) for the year, increased by 2.6% as compared to last year. Despite the revenue of the Group increased by 32.0% as compared to last year, the ratio of administrative expenses to revenue lowered from 2.7% last year to 2.1% this year, which was mainly due to stricter cost control.

Research and development expenses

Research and development expenses for the continuing operations of the Group amounted to HK\$103,676,000 for the year, increased by 45.2% as compared to HK\$71,404,000 for last year. Such expenses were all incurred by the steel cord segment for aligning with the requirements from our tyres manufacturing customers and they increased with the revenue of the steel cord segment.

Other income

Other income for the continuing operations of the Group decreased by 57.3% from HK\$9,509,000 for the year ended 31 December 2020 to HK\$4,062,000 for the year ended 31 December 2021. This was primarily due to decrease in government grants.

Other losses, net

Other losses, net for the continuing operations of the Group decreased by 61.9% from HK\$59,377,000 for the year ended 31 December 2020 to HK\$22,622,000 for the year ended 31 December 2021. This improvement was primarily because (i) impairment losses on old and idel property, plant and equipment decreased to HK\$3,095,000; and (ii) gains on disposals of property, plant and equipment amounted to HK\$660,000.

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 because the Group obtained the construction project planning permit on remaining area of TESC Phase II Project in October 2020. During the year, there is no such reversal.

Finance costs, net

Finance costs, net for the continuing operations of the Group decreased by 23.4% from HK\$17,488,000 to HK\$13,401,000 for the year. This is mainly due to the decrease of interest expenses on bank borrowings while the Group recorded foreign exchange gains on the borrowings 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 1,898,652,556 Shares at 31 December 2021 (2020: 1,899,024,556 Shares). Net asset value of the Group was HK\$1,732,946,000 at 31 December 2021, increased by 5.3% as compared to HK\$1,645,571,000 at 31 December 2020. Net asset value per Share was HK\$0.91 at 31 December 2021, also increased by 4.6% as compared to HK\$0.87 at 31 December 2020.

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. 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 on 7 February 2022.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$269,354,000 at 31 December 2021, increased by 51.7% as compared to HK\$177,570,000 at 31 December 2020. Total interest bearing borrowings of the Group (comprised of loan from a related company, bank borrowings and Convertible Bonds) were HK\$687,686,000 at 31 December 2021, increased by 4.0% as compared to HK\$660,942,000 as at 31 December 2020. The amount of net interest bearing borrowings (total interest bearing borrowings less pledged bank deposits and bank balances and cash) therefore decreased from HK\$483,372,000 at 31 December 2020 to HK\$418,332,000 at 31 December 2021.

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 29.4% at 31 December 2020 to 24.1% at 31 December 2021. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.09 times at 31 December 2021 as compared to 1.15 times at 31 December 2020.

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. In respect of exposure to interest rate risk, all the interest bearing borrowings at 31 December 2021 were 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 2021, the Group had commitments in respect of property, plant and equipment amounted to HK\$59,132,000.

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. As steel cord market has been in short supply for a long period of time, 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 as at 31 December 2021. 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 2021, the Group had a total of 2,304 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\$268 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 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. The purpose of the Scheme is to provide incentives or rewards to selected participants for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of ten years from 29 May 2012. Since the adoption of the Scheme, no options have been granted, exercised, lapsed, cancelled or outstanding thereunder as at 31 December 2021.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 31 December 2021.

At 31 December 2021, the carrying amounts of assets pledged as security for bills payable, bank borrowings and loan from a related company are:

1. Leasehold land and buildings with an aggregate net book value of HK\$194,288,000;
2. Plant and machinery with an aggregate net book value of HK\$38,760,000;
3. Land use rights with an aggregate amount of HK\$62,323,000; and
4. Bank deposits of HK\$195,867,000.

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 the beginning of 2021, the rollout of effective vaccination programs globally has eased the epidemic and returning our daily life to normalcy. However, the threat posed by the new virus variants and Sino-American relations became more uncertain in the second half of 2021 which have led to supply disruptions of the steel cord market 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 2021. But we, Shougang Century, are confident and optimistic about our business in light of the followings:

- 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;

- 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; and
- Steel cord / wire manufacturing is undoubtedly our mainstay but in 2022, 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 (2020: HK1.5 cents), with total amount of approximately HK\$29,571,000 for the year ended 31 December 2021, payable to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 11 July 2022. The final dividend is subject to the Shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

Subject to Shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Monday, 27 June 2022, the final dividend is expected to be paid on or about Friday, 29 July 2022. 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, 11 July 2022 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 June 2022 to Monday, 27 June 2022, 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, 27 June 2022, 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, 17 June 2022.

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 2021 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 2021, the Company repurchased an aggregate of 372,000 ordinary shares for a total consideration of HK\$104,304 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. All the aforesaid repurchased shares were cancelled in April 2021. Details of the shares repurchased are as follows:

Month of repurchase in 2021	Number of shares repurchased	Consideration per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
February	372,000	0.290	0.247	104,304

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 throughout the year ended 31 December 2021, except for deviations from Code Provisions A.2.1 and D.1.4 of the Code. For the avoidance of doubt, the “Code Provisions” referred to in this announcement are those code provisions prevailing prior to the amendments thereto as introduced by Stock Exchange under Update No.135 for amendments to the Listing Rules, where such new amendments to Appendix 14 will only apply to issuers’ corporate governance reports for financial year commencing on or after 1 January 2022.

Deviation from Code Provision A.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 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 group nominated Mr. Adam Touhig (“Mr. Touhig”) as a non-executive Director. Mr. Touhig 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:

“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 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”	Jiaxing 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, 25 March 2022

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/shougangcentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2021 Annual Report will be despatched to Shareholders and made available on the above websites in due course.