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SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> | Change |
|--|-------------------------|-------------------------|----------------|
| Revenue from continuing operations | 2,141,380 | 2,122,933 | +0.9% |
| Gross profit from continuing operations | 377,944 | 267,104 | +41.5% |
| Gross profit margin from continuing operations | 17.6% | 12.6% | +5.0pp |
| Adjusted EBITDA (<i>Note (a)</i>) | 273,740 | 183,114 | +49.5% |
| Profit/(loss) for the year | 108,344 | (8,681) | N/A |
| Earnings/(loss) per share for profit/(loss) for the year attributable to the owners of the Company (<i>HK cents</i>) | | | |
| Basic | 5.63 | (0.45) | N/A |
| Diluted | 5.22 | (0.45) | N/A |
| Total equity | 1,415,072 | 1,339,150 | +5.7% |
| Proposed final dividend per share (<i>HK cents</i>) | 1 | - | N/A |
| Gearing ratio (<i>Note (b)</i>) | 50.8% | 71.4% | -20.6pp |

Notes:

(a) Adjusted EBITDA, a non-HKFRS measure, represents profit before income tax, loss from discontinued operation, finance costs (excluding foreign exchange losses on borrowings and Convertible Bonds), depreciation, amortisation and change in fair value of a financial liability at fair value through profit or loss.

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

The Board announces that the audited consolidated results of the Group for the year ended 31 December 2019 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 2019

| | Notes | Year ended 31 December | |
|--|-------|------------------------|--------------------------------|
| | | 2019 HK\$'000 | 2018 HK\$'000 (Restated) |
| Continuing operations | | | |
| Revenue | 4 | 2,141,380 | 2,122,993 |
| Cost of sales | 8 | (1,763,436) | (1,855,889) |
| Gross profit | | 377,944 | 267,104 |
| Other income | 6 | 16,891 | 3,756 |
| Other losses, net | 7 | (13,179) | (4,002) |
| Distribution and selling expenses | 8 | (90,033) | (67,786) |
| Administrative expenses | 8 | (54,429) | (56,782) |
| Research and development expenses | 8 | (74,493) | (76,941) |
| Foreign exchange gains, net | | 2,094 | 3,770 |
| Changes in fair values of investment properties | 14(a) | (718) | 4,017 |
| Reversal of impairment losses on land use rights | 15 | 17,456 | - |
| Net impairment losses on financial assets | 16(c) | (1,059) | (1,652) |
| Finance costs, net | 9 | (64,704) | (78,613) |
| Profit/(loss) before income tax | | 115,770 | (7,129) |
| Income tax (expense)/credit | 10 | (4,026) | 2,476 |
| Profit/(loss) from continuing operations | | 111,744 | (4,653) |
| Discontinued operation | | | |
| Loss from discontinued operation | 11 | (3,400) | (4,028) |
| Profit/(loss) for the year | | 108,344 | (8,681) |
| | | <i>HK cents</i> | <i>HK cents</i> |
| Earnings/(loss) per share for profit/(loss) from continuing operations attributable to the owners of the Company | | | |
| Basic | 13(a) | 5.81 | (0.24) |
| Diluted | 13(b) | 5.36 | (0.24) |
| Earnings/(loss) per share for profit/(loss) for the year attributable to the owners of the Company | | | |
| Basic | 13(a) | 5.63 | (0.45) |
| Diluted | 13(b) | 5.22 | (0.45) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | | Year ended 31 December | |
|---|-------|------------------------|------------------------|
| | | 2019 | 2018 |
| | Notes | HK\$'000 | HK\$'000 (Restated) |
| Profit/(loss) for the year | | <u>108,344</u> | <u>(8,681)</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 | | (32,485) | (66,297) |
| Revaluation of leasehold land and buildings | 14(b) | (2,744) | 29,816 |
| Recognition of deferred income tax asset/(liability) on revaluation of leasehold land and buildings | | <u>4,606</u> | <u>(5,077)</u> |
| | | <u>(30,623)</u> | <u>(41,558)</u> |
| Other comprehensive loss arising from discontinued operation | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Exchange differences arising on translation into presentation currency | 11 | <u>(1,094)</u> | <u>(2,139)</u> |
| Total comprehensive income/(loss) for the year, net of tax | | <u><u>76,627</u></u> | <u><u>(52,378)</u></u> |
| Total comprehensive income/(loss) for the year arises from: | | | |
| Continuing operations | | 81,121 | (46,211) |
| Discontinued operation | 11 | <u>(4,494)</u> | <u>(6,167)</u> |
| | | <u><u>76,627</u></u> | <u><u>(52,378)</u></u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

| | | As at 31 December | |
|--|-------|-------------------|------------------|
| | | 2019 | 2018 |
| | Notes | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 14(a) | 54,093 | 55,449 |
| Property, plant and equipment | 14(b) | 1,078,262 | 1,166,333 |
| Right-of-use assets | | 1,569 | - |
| Land use rights | 15 | 95,627 | 70,897 |
| Intangible assets | | - | - |
| Pledged deposit on loan from a related company | | - | 7,989 |
| Prepayments for the acquisition of property, plant and equipment | | 10,464 | 1,724 |
| Total non-current assets | | 1,240,015 | 1,302,392 |
| Current assets | | | |
| Inventories | | 294,981 | 319,968 |
| Trade receivables | 16 | 579,443 | 690,931 |
| Bills receivable | 16 | 898,284 | 924,355 |
| Prepayments, deposits and other receivables | | 29,463 | 31,509 |
| Pledged bank deposits | | 53,921 | 78,630 |
| Bank balances and cash | | 47,811 | 66,682 |
| Total current assets | | 1,903,903 | 2,112,075 |
| Total assets | | 3,143,918 | 3,414,467 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Other payables | | 487 | 566 |
| Bank borrowings | 19 | 210,241 | 268,407 |
| Lease liabilities | | 404 | - |
| Deferred income tax liabilities | | 25,853 | 29,617 |
| Total non-current liabilities | | 236,985 | 298,590 |
| Current liabilities | | | |
| Trade and bills payables | 17 | 707,010 | 808,951 |
| Other payables and accruals | | 169,104 | 130,790 |
| Current income tax liabilities | | 3,493 | 4,584 |
| Loans from related companies | 18 | 57,644 | 226,358 |
| Bank borrowings | 19 | 400,461 | 606,044 |
| Lease liabilities | | 1,205 | - |
| Financial liability at fair value through profit or loss | 20 | 152,944 | - |
| Total current liabilities | | 1,491,861 | 1,776,727 |
| Total liabilities | | 1,728,846 | 2,075,317 |
| EQUITY | | | |
| Share capital | 21 | 1,191,798 | 1,191,798 |
| Reserves | | 223,274 | 147,352 |
| Total equity | | 1,415,072 | 1,339,150 |
| Total equity and liabilities | | 3,143,918 | 3,414,467 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable 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 2018 and 2019 included in this preliminary announcement of annual results 2019 do 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 2018 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 2019 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 2019:

| | |
|--|--|
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| HKFRS 16 | Leases |
| Interpretation 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11 | As part of the Annual Improvements to HKFRSs 2015 - 2017 Cycle |
| Amendments to HKAS 28 | Long-term Interest in Associates and Joint Ventures |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3. The other 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

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| Amendments to HKFRS 3 | Definition of a Business | 1 January 2020 |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material | 1 January 2020 |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| Amendments to HKFRS 7, HKFRS 9 and HKAS 39 | Interest Rate Benchmark Reform | 1 January 2020 |
| HKFRS 17 | Insurance Contracts | 1 January 2021 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.36%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used a practical expedient permitted by this standard to use a single discount rate to a portfolio of leases with reasonable similar characteristics.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

| | <i>HK\$'000</i> |
|---|---------------------|
| Operating lease commitments disclosed as at 31 December 2018 | <u>2,982</u> |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | <u>2,803</u> |
| Lease liabilities recognised as at 1 January 2019 | <u>2,803</u> |
| Of which are: | |
| Current lease liabilities | 1,193 |
| Non-current lease liabilities | <u>1,610</u> |
| | <u>2,803</u> |

(iii) Measurement of right-of-use assets

The associated right-of-use assets (including land use rights which is presented as a separate line item in the consolidated statement of financial position) were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to office premises.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

Prepaid lease payments of HK\$70,897,000 as at 1 January 2019 have been reclassified as land use rights being a part of the right-of-use assets of the Group.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increased by HK\$2,803,000;
- lease liabilities – increased by HK\$2,803,000;
- land use rights – increased by HK\$70,897,000;
- prepaid lease payments – decreased by HK\$70,897,000.

There was no net impact on accumulated losses on 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4. REVENUE

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

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| Sales of goods - Manufacturing of steel cords | 2,139,930 | 2,121,189 |
| Rental income | 1,450 | 1,804 |
| | 2,141,380 | 2,122,993 |

5. SEGMENT INFORMATION

Information reported to the Company's managing director, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's operating and reportable segment under HKFRS 8 Operating Segments is steel cord segment comprising the manufacturing of steel cords.

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC (*Note 11*).

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

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

For the year ended 31 December 2019

| | Steel cord <i>HK\$'000</i> |
|---|-------------------------------|
| <u>Sales of goods</u> | |
| Segment revenue from external customers | 2,139,930 |
| Segment results | <u>204,719</u> |
| Unallocated amounts | |
| Rental income | 1,450 |
| Other losses, net and foreign exchange gains, net | (2,269) |
| Changes in fair values of investment properties | (718) |
| Expenses | (22,708) |
| Finance costs, net | (64,704) |
| Profit before income tax | <u>115,770</u> |
| Income tax expense | (4,026) |
| Profit from continuing operations | <u>111,744</u> |
| Loss from discontinued operation | (3,400) |
| Profit for the year | <u><u>108,344</u></u> |

For the year ended 31 December 2018

| | Steel cord <i>HK\$'000</i> (Restated) |
|---|---|
| <u>Sales of goods</u> | |
| Segment revenue from external customers | 2,121,189 |
| Segment results | 93,264 |
| Unallocated amounts | |
| Rental income | 1,804 |
| Other losses, net and foreign exchange gains, net | (3,094) |
| Change in fair values of investment properties | 4,017 |
| Expenses | (24,507) |
| Finance costs, net | (78,613) |
| Loss before income tax | <u>(7,129)</u> |
| Income tax credit | 2,476 |
| Loss from continuing operations | <u>(4,653)</u> |
| Loss from discontinued operation | (4,028) |
| Loss for the year | <u><u>(8,681)</u></u> |

6. OTHER INCOME

| | Year ended 31 December | |
|-----------------------------------|------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | |
| Government grants (<i>Note</i>) | 13,190 | 1,097 |
| Sales of scrap materials | 3,701 | 2,659 |
| | 16,891 | 3,756 |

Note: The government grants represented immediate financial subsidies granted by the local governments in the PRC.

7. OTHER LOSSES, NET

| | Year ended 31 December | |
|---|------------------------|-------------------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> (Restated) |
| Continuing operations | | |
| Net fair value gains/(losses) on derivatives held for trading | 2,228 | (1,956) |
| Fair value loss on financial liability at fair value through profit or loss | (5,944) | - |
| Losses on disposals of property, plant and equipment, net | (995) | (2,154) |
| Loss on disposal of club memberships | - | (225) |
| Impairment losses on property, plant and equipment (<i>Note 14(b)</i>) | (9,745) | - |
| Others | 1,277 | 333 |
| | (13,179) | (4,002) |

8. EXPENSES BY NATURE

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

| | Year ended 31 December | |
|---|------------------------|--------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Continuing operations | | |
| Cost of inventories sold (including net provision for inventories recognised) | 1,744,208 | 1,844,208 |
| Employee benefit expense (including directors' emoluments) | 217,242 | 220,910 |
| Depreciation of property, plant and equipment | 100,860 | 130,205 |
| Depreciation of right-of-use assets | 1,199 | - |
| Amortisation of land use rights (<i>Note 15</i>) | 1,929 | - |
| Amortisation of prepaid lease payments (<i>Note 15</i>) | - | 4,681 |
| Auditor's remuneration | | |
| - Audit services | 1,537 | 1,495 |
| - Non-audit services | 674 | 428 |
| Provision for/(reversal of provision for) inventories, net | 9,096 | (740) |
| Operating lease rentals in respect of buildings | - | 3,896 |
| | _____ | _____ |

9. FINANCE COSTS, NET

| | Year ended 31 December | |
|---|------------------------|------------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Continuing operations | | (Restated) |
| Finance income | | |
| Interest income on bank deposits | <u>865</u> | <u>1,285</u> |
| Finance costs | | |
| Interest expenses on bank borrowings | (37,667) | (42,084) |
| Interest expenses on loans from related companies | (8,261) | (12,790) |
| Interest expenses on lease liabilities | (115) | - |
| Amortisation of loan transaction costs | (1,994) | (2,422) |
| Foreign exchange losses on borrowings and financial liability at fair value through profit or loss | <u>(17,532)</u> | <u>(24,541)</u> |
| | (65,569) | (81,837) |
| Amount capitalised | - | 1,939 |
| Total finance costs | <u>(65,569)</u> | <u>(79,898)</u> |
| Finance costs, net | <u>(64,704)</u> | <u>(78,613)</u> |

10. INCOME TAX EXPENSE/(CREDIT)

| | Year ended 31 December | |
|---|------------------------|-----------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Restated) |
| Current income tax: | | |
| - China corporate income tax | 4,003 | 886 |
| Overprovision in prior years | (1,294) | (1,254) |
| Total current income tax | <u>2,709</u> | <u>(368)</u> |
| Deferred income tax | 1,317 | (2,068) |
| Income tax expense/(credit) | <u>4,026</u> | <u>(2,436)</u> |
| Income tax expense/(credit) is attributable to: | | |
| - Continuing operations | 4,026 | (2,476) |
| - Discontinued operation | - | 40 |
| | <u>4,026</u> | <u>(2,436)</u> |

No provision for Hong Kong profits tax for the years ended 31 December 2018 and 2019 as there is no assessable profit subject to Hong Kong profits tax for both years.

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.

If a subsidiary is subject to CIT and qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%.

The applicable CIT tax rate for JESC was 15% for the years ended 31 December 2018 and 2019.

11. 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. Comparative figures have been restated. The financial performance presented is for the years ended 31 December 2018 and 2019.

| | Year ended 31 December | |
|--|-------------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | - | 131,177 |
| Cost of sales | - | (130,814) |
| Gross profit | - | 363 |
| Other gains/(losses), net | 2 | (555) |
| Expenses | (3,018) | (4,066) |
| Net impairment losses on financial assets | (521) | 287 |
| Finance income/(costs), net | 137 | (17) |
| Loss before income tax | (3,400) | (3,988) |
| Income tax expense | - | (40) |
| Loss from discontinued operation | (3,400) | (4,028) |
| Other comprehensive loss | | |
| Exchange differences arising on translation into presentation currency | (1,094) | (2,139) |
| Total comprehensive loss from discontinued operation | (4,494) | (6,167) |

12. DIVIDENDS

On 24 March 2020, the Board has recommended the payment of a final dividend of HK1 cent per fully paid ordinary share, with total amount of approximately HK\$19 million for the year ended 31 December 2019 (2018: Nil). The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2019 has not been recognised as a liability as at 31 December 2019.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 | |
|--|------------------------|----------------------|
| | 2019 | 2018 |
| Profit/(loss) attributable to the owners of the Company used in calculating basic earnings/(loss) per share: | | |
| - Continuing operations (<i>HK\$'000</i>) | 111,744 | (4,653) |
| - Discontinued operation (<i>HK\$'000</i>) | (3,400) | (4,028) |
| | <u>108,344</u> | <u>(8,681)</u> |
| Weighted average number of ordinary shares in issue (<i>shares</i>) | <u>1,922,900,556</u> | <u>1,922,900,556</u> |
| From continuing operations attributable to the owners of the Company (<i>HK cents</i>) | 5.81 | (0.24) |
| From discontinued operation (<i>HK cents</i>) | (0.18) | (0.21) |
| Basic earnings/(loss) per share attributable to the owners of the Company (<i>HK cents</i>) | <u>5.63</u> | <u>(0.45)</u> |

(b) Diluted

Diluted earnings/(loss) 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 two categories (2018: one category) of potentially dilutive ordinary shares: convertible bonds (*Note 20*) and share options (2018: share options). For the convertible bonds and share options, 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 and share options.

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

For the year ended 31 December 2018, as the outstanding share options would result in an anti-dilution at earnings/(loss) per share, the diluted earnings/(loss) per share equals the basic earnings/(loss) per share.

| | Year ended 31 December | |
|--|-------------------------------|---------------|
| | 2019 | 2018 |
| Profit/(loss) attributable to the owners of the Company used in calculating basic earnings/(loss) per share: | | |
| - Continuing operations (<i>HK\$'000</i>) | 111,744 | (4,653) |
| - Discontinued operation (<i>HK\$'000</i>) | (3,400) | (4,028) |
| | 108,344 | (8,681) |
| Profit adjustment for convertible bonds (<i>HK\$'000</i>) | 12,999 | - |
| | 121,343 | (8,681) |
| Weighted average number of ordinary shares in issue (<i>shares</i>) | 1,922,900,556 | 1,922,900,556 |
| Adjustment for convertible bonds (<i>shares</i>) | 403,486,924 | - |
| Weighted average number of ordinary shares for diluted earnings per share (<i>shares</i>) | 2,326,387,480 | 1,922,900,556 |
| From continuing operations attributable to the owners of the Company (<i>HK cents</i>) | 5.36 | (0.24) |
| From discontinued operation (<i>HK cents</i>) | (0.14) | (0.21) |
| Diluted earnings/(loss) per share attributable to the owners of the Company (<i>HK cents</i>) | 5.22 | (0.45) |

14. 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 2018 | 70,790 |
| Changes in fair values recognised in profit or loss | 4,017 |
| Transferred to property, plant and equipment (<i>Note 14(b)</i>) | (11,600) |
| Disposals | (6,370) |
| Exchange differences | (1,388) |
| At 31 December 2018 | <u>55,449</u> |
| | |
| At 1 January 2019 | 55,449 |
| Changes in fair values recognised in profit or loss | (718) |
| Exchange differences | (638) |
| At 31 December 2019 | <u>54,093</u> |

(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 2018 | 1,273,927 |
| Additions | 54,231 |
| Disposals | (8,221) |
| Transferred from investment properties (<i>Note 14(a)</i>) | 11,600 |
| Depreciation | (130,343) |
| Revaluation | 29,816 |
| Exchange differences | (64,677) |
| At 31 December 2018 | <u>1,166,333</u> |
| | |
| At 1 January 2019 | 1,166,333 |
| Additions | 56,629 |
| Disposals | (2,576) |
| Depreciation | (100,888) |
| Revaluation | (2,744) |
| Impairment loss (<i>Note 7</i>) | (9,745) |
| Exchange differences | (28,747) |
| At 31 December 2019 | <u>1,078,262</u> |

15. LAND USE RIGHTS

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

| | Land use rights <i>HK\$'000</i> | Prepaid lease payments <i>HK\$'000</i> |
|---|---------------------------------------|--|
| At 1 January 2018 | - | 79,042 |
| Amortisation (<i>Note 8</i>) | - | (4,681) |
| Exchange differences | - | (3,464) |
| At 31 December 2018 | <u>-</u> | <u>70,897</u> |
| At 1 January 2019 | - | 70,897 |
| Reclassification on adoption of HKFRS 16 | 70,897 | (70,897) |
| Additions | 10,616 | - |
| Amortisation (<i>Note 8</i>) | (1,929) | - |
| Reversal of impairment losses (<i>Note</i>) | 17,456 | - |
| Exchange differences | (1,413) | - |
| At 31 December 2019 | <u>95,627</u> | <u>-</u> |

Prepaid lease payments of HK\$70,897,000 have been reclassified to land use rights, being a part of the right-of-use assets of the Group as at 1 January 2019 upon the adoption of HKFRS 16. During the year, amortisation expense of HK\$1,929,000 (2018: HK\$4,681,000) 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 planned construction area of 46,614 square meters in late October 2019 for TESC Phase II Project. The Group intended to develop the TESC Phase II Project in different stages.

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. The construction project planning permit on the remaining area (120,660 square meters) has not yet been obtained as at 31 December 2019.

16. TRADE RECEIVABLES AND BILLS RECEIVABLE

| | As at 31 December | |
|--|-------------------|------------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables (<i>Note (a)</i>) | 600,817 | 711,055 |
| Less: provision for impairment losses on trade receivables (<i>Note (c)</i>) | (21,374) | (20,124) |
| | <u>579,443</u> | <u>690,931</u> |
| Bills receivable (<i>Note (b)</i>) | 898,284 | 924,355 |
| | <u>1,477,727</u> | <u>1,615,286</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 | |
|----------------|-------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Up to 90 days | 407,713 | 509,968 |
| 91 to 180 days | 156,211 | 161,457 |
| Over 180 days | 36,893 | 39,630 |
| | <u>600,817</u> | <u>711,055</u> |

(b) Bills receivable

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

| | As at 31 December | |
|----------------|-------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Up to 90 days | 103,376 | 91,277 |
| 91 to 180 days | 320,396 | 339,157 |
| Over 180 days | 474,512 | 493,921 |
| | <u>898,284</u> | <u>924,355</u> |

As at 31 December 2019, the Group's bills receivable are with maturity date within one year (2018: 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 | |
|---|--------------------------|-----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| At beginning of the year | 20,124 | 19,742 |
| Net impairment losses on trade receivables for the year | | |
| - Continuing operations | 1,059 | 1,652 |
| - Discontinued operation | 521 | (287) |
| Exchange differences | (330) | (983) |
| At end of the year | 21,374 | 20,124 |

17. TRADE AND BILLS PAYABLES

| | As at 31 December | |
|------------------------------------|--------------------------|-----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Trade payables (<i>Note (a)</i>) | 569,666 | 655,809 |
| Bills payable (<i>Note (b)</i>) | 137,344 | 153,142 |
| | 707,010 | 808,951 |

(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 | |
|-----------------|--------------------------|-----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Up to 30 days | 135,320 | 127,868 |
| 31 to 90 days | 193,141 | 189,506 |
| 91 to 180 days | 203,667 | 245,983 |
| 181 to 365 days | 36,221 | 78,844 |
| Over 365 days | 1,317 | 13,608 |
| | 569,666 | 655,809 |

(b) Bills payable

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

| | As at 31 December | |
|-----------------|-------------------|----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Up to 30 days | 34,607 | 37,206 |
| 31 to 90 days | 50,827 | 64,814 |
| 91 to 180 days | 51,910 | 40,007 |
| 181 to 365 days | - | 11,115 |
| | <u>137,344</u> | <u>153,142</u> |

18. LOANS FROM RELATED COMPANIES

| | As at 31 December | |
|---|-------------------|----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Loan from Shougang (Hong Kong) Finance Company Limited ((<i>Note (i)</i>)) | 57,644 | 205,534 |
| Loan from South China International Leasing Co., Ltd. (“South China Leasing”) ((<i>Note(ii)</i>)) | - | 20,824 |
| | <u>57,644</u> | <u>226,358</u> |

Notes:

- (i) The amount represents the loan from and interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited (“Shougang HK”). The Company is an associate of Shougang HK. The loan is unsecured, bears interest at 4.5% per annum (2018: 5% to 6% per annum) and repayable within one year (2018: same).
- (ii) On 29 June 2016, TESC had entered into an agreement (the “Agreement”) with South China Leasing whereby TESC had drawn down a loan of RMB70,000,000 (equivalent to approximately HK\$81,159,000) from South China Leasing on 16 August 2016 on a sale and leaseback arrangement, which was to be repayable by 12 quarterly instalments plus interest at 5.13% per annum and obligated to pay lease handling fee of RMB2,100,000 (equivalent to approximately HK\$2,454,000). South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand (Group) Limited, which is in turn held as to approximately 50.84% by Shougang HK. As such, South China Leasing is an associate of Shougang HK.

As collaterals for the above financing,

- (i) TESC transferred the ownership title of certain machineries and equipment (“Machineries and Equipment”) to South China Leasing;
- (ii) TESC placed a pledged deposit of RMB7,000,000 (equivalent to approximately HK\$7,989,000) to South China Leasing; and
- (iii) 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 RMB1,000. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

As at 31 December 2018, the carrying amount of loan from South China Leasing was HK\$20,824,000. The balance was fully settled in August 2019.

19. BANK BORROWINGS

| | As at 31 December | |
|--------------------------------|--------------------------|-----------------|
| | 2019 | 2018 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Bank loans | 445,840 | 715,430 |
| Less: loan transaction costs | (1,593) | (3,136) |
| | 444,247 | 712,294 |
| Discounted bills with recourse | 166,455 | 162,157 |
| | 610,702 | 874,451 |
| Non-current portion | 210,241 | 268,407 |
| Current portion | 400,461 | 606,044 |
| | 610,702 | 874,451 |
| Secured | 194,363 | 219,221 |
| Unsecured | 416,339 | 655,230 |
| | 610,702 | 874,451 |

The Group's bank borrowings were repayable as follows:

| | As at 31 December | |
|-----------------------|--------------------------|-----------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Within 1 year | 400,461 | 606,044 |
| Between 1 and 2 years | 210,241 | 118,407 |
| Between 2 and 5 years | - | 150,000 |
| | 610,702 | 874,451 |

20. 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 2019 was valued by the independent and professionally qualified valuer, Greater China Appraisal Limited. The valuation was determined using the Black-Scholes Model with Trinomial Tree Method.

21. SHARE CAPITAL

| | Number of shares <i>Thousand</i> | <i>HK\$'000</i> |
|--|--|------------------|
| Issued and fully paid | | |
| At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019 | <u>1,922,901</u> | <u>1,191,798</u> |

22. CAPITAL COMMITMENTS

| | As at 31 December | |
|---|--------------------------------|-------------------------|
| | 2019 <i>HK\$'000</i> | 2018 <i>HK\$'000</i> |
| Commitments in respect of the acquisition of property, plant and equipment | | |
| - contracted for but not provided in the consolidated financial information | <u>143,513</u> | <u>1,484</u> |

23. OPERATING LEASES

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | As at 31 December | |
|---------------------------------------|-------------------|--------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Within one year | - | 1,312 |
| In the second to fifth year inclusive | - | 1,670 |
| | <u>-</u> | <u>2,982</u> |

From 1 January 2019, the Group has recognised right-of-use assets for these leases, see Note 3 for further information.

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 | |
|---------------------------------------|-------------------|--------------|
| | 2019 | 2018 |
| | HK\$'000 | HK\$'000 |
| Within one year | 1,530 | 1,175 |
| In the second to fifth year inclusive | 1,747 | 1,563 |
| After fifth year | - | 63 |
| | <u>3,277</u> | <u>2,801</u> |

24. EVENT OCCURRED AFTER THE REPORTING PERIOD

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of operations

The Group is principally engaged in the manufacturing of steel cords for radial tyres and sawing wires. For the year ended 31 December 2019, the Group recorded a revenue for the continuing operations of HK\$2,141,380,000 (2018: HK\$2,122,993,000), representing a slight increase of approximately 0.9% as compared with that of the previous year. Besides, the Group's profit for the year ended 31 December 2019 has significantly improved and turned around to HK\$108,344,000 from the net loss position of HK\$8,681,000 for the year ended 31 December 2018. The Board considers that the aforesaid turnaround from loss to profit position is primarily attributable to the increase in gross profit with the following factors:

- the growth in sales volume of the steel cords;
- the reduction in production cost; and
- the increase in export sales volume of the steel cords.

Continuing operations of steel cord segment

Revenue

The PRC recorded the fourth-quarter of 2019 GDP economic growth of 6.0%, which is same as that in the previous quarter and matching market expectations. This remained the weakest growth rate since the first quarter of 1992 amid trade pressure from the US and sluggish demand from home and abroad. Considering the full year 2019, the economy grew just by 6.1%. However, our sales team made every effort to expand our coverage on large-scale and multinational tyre manufacturers and fine-tune our sales mix to flexibly meet our customers' requirements, thus the steel cord segment was able to achieve a growth in volume of 4.9% over that of the previous year. In respect of export sales volume, we were able to follow closely with our customers' realignment of their respective products and production facilities and hence, successfully managed to attain a material increase of 13.3% during the year.

This segment sold 194,006 tonnes of steel cord during the year, increased by 4.9% as compared to 184,910 tonnes last year. In respect of the sales of sawing wire products, it increased substantially by 100.0% from 80 tonnes to 160 tonnes for last year, reflecting our focus in selling thicker construction types. There was a 17.5% decrease in the sales of our other steel wires from 11,100 tonnes to 9,152 tonnes for last year as we chose to preserve our brass wire resources to meet the increased demand for steel cord. The sales volume of this segment for the year is set out below:

| | Year ended 31 December | | 2018 | | % change |
|----------------------------|------------------------|---------------------------------------|----------------------|---------------------------------------|----------|
| | 2019 | % of total sales volume of steel cord | 2018 | % of total sales volume of steel cord | |
| | Sales volume (Tonne) | | Sales volume (Tonne) | | |
| Steel cords for | | | | | |
| - truck tyres | 130,080 | 67.0 | 123,205 | 66.7 | +5.6 |
| - off the road truck tyres | 6,506 | 3.4 | 4,333 | 2.3 | +50.2 |
| - passenger car tyres | 57,420 | 29.6 | 57,372 | 31.0 | +0.1 |
| Total for steel cords | <u>194,006</u> | <u>100.0</u> | 184,910 | <u>100.0</u> | +4.9 |
| Sawing wire products | 160 | | 80 | | +100.0 |
| Other steel wires | 9,152 | | 11,100 | | -17.5 |
| Total | <u>203,318</u> | | <u>196,090</u> | | +3.7 |

The sales volume for all aforesaid types of steel cords recorded growth. In respect of sales mix, the proportion of sales of steel cords for truck tyres accounted for 67.0% of total sales volume of steel cords for the year, similar to that for last year. We are pleased to see that our effort in expanding the sales of “off the road” steel cords has begun to flourish with an increase of 50.2% for the year.

In respect of sales of steel cords by region, the volume of export sales amounted to 40,134 tonnes for the year, increased by 13.3% as compared to 35,435 tonnes for last year. The volume of export sales represented 20.7% 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 | | 2018 | | % change |
|---------------------------------------|------------------------|---------------------------------------|----------------------|---------------------------------------|----------|
| | 2019 | % of total sales volume of steel cord | 2018 | % of total sales volume of steel cord | |
| | Sales volume (Tonne) | | Sales volume (Tonne) | | |
| PRC | <u>153,872</u> | <u>79.3</u> | <u>149,475</u> | <u>80.8</u> | +2.9 |
| Export sales: | | | | | |
| Asia (other than PRC) | 24,059 | 12.4 | 19,074 | 10.3 | +26.1 |
| EMEA (Europe, Middle East and Africa) | 9,506 | 4.9 | 11,022 | 6.0 | -13.8 |
| North America | 4,103 | 2.1 | 3,594 | 1.9 | +14.2 |
| South America | 2,466 | 1.3 | 1,745 | 1.0 | +41.3 |
| Total export sales | <u>40,134</u> | <u>20.7</u> | <u>35,435</u> | <u>19.2</u> | +13.3 |
| Total | <u>194,006</u> | <u>100.0</u> | <u>184,910</u> | <u>100.0</u> | +4.9 |

The overall sales volume growth of 4.9% in steel cords caused the revenue of this segment to slightly increase by 0.9% over last year's to HK\$2,139,930,000 (2018: HK\$2,121,189,000) for the year because the Group major income is denominated in RMB, but the financial statement is presented in Hong Kong dollars. During the year, exchange rate of RMB depreciated against HKD, this decreased the total amount of revenue in Hong Kong dollars.

Gross profit

Gross profit of this segment increased by 41.9% over last year's to HK\$376,502,000 (2018: HK\$265,397,000) for the year. Gross profit margin improved from 12.5% last year's to 17.6% for the year attesting to the benefit of economy of scale and our incessant effort in controlling production costs. Hence, EBITDA also increased from last year of HK\$228,646,000 to HK\$308,269,000 for the year.

Discontinued operation of copper and brass products business

Overall performance

In view of generating greater managerial focus and releasing internal resources for the Group to prioritise the profitable steel cord business, the Group ceased all the operation of the copper and brass products segment in September 2019. This business in 2019 contributed no revenue (2018: HK\$131,177,000) and recorded the loss of HK\$3,400,000 (2018: HK\$4,028,000), mainly due to the impairment loss on receivables.

FINANCIAL REVIEW

Revenue

Revenue for the continuing operations of the Group amounted to HK\$2,141,380,000 (2018: HK\$2,122,993,000) for the year, slightly increased by 0.9% 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 |
|-----------------|-------------------------|---------------------|-------------------------|---------------------|--------------|
| | 2019 | % of total revenue | 2018 | % of total revenue | |
| | <i>HK\$'000</i> | | <i>HK\$'000</i> | | |
| Steel cord | 2,139,930 | 99.9 | 2,121,189 | 99.9 | +0.9 |
| Property rental | 1,450 | 0.1 | 1,804 | 0.1 | -19.6 |
| Total | <u>2,141,380</u> | <u>100.0</u> | <u>2,122,993</u> | <u>100.0</u> | +0.9 |

Gross profit

Gross profit for the continuing operations of the Group increased by 41.5% over last year's to HK\$377,944,000 (2018: HK\$267,104,000), which was mainly due to the increase of gross profit of steel cord segment. Gross profit margin for the continuing operations of the Group also increased significantly by 5.0 percentage points to 17.6% 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 | | 2018 | Gross profit margin (%) | % change |
|-----------------|------------------------|-------------------------|----------------|-------------------------|----------|
| | 2019 | Gross profit margin (%) | | | |
| | HK\$'000 | | HK\$'000 | | |
| Steel cord | 376,502 | 17.6 | 265,397 | 12.5 | +41.9 |
| Property rental | 1,442 | 99.4 | 1,707 | 94.6 | -15.5 |
| Total | <u>377,944</u> | 17.6 | <u>267,104</u> | 12.6 | +41.5 |

Distribution and selling expenses

Distribution and selling expenses for the continuing operations amounted to HK\$90,033,000 (2018: HK\$67,786,000) for the year, increased by 32.8% over last year's, mainly due to the increase in sales of steel cords particularly in the export markets, in which US imposed a 25% tariff on our products in 2019.

Administrative expenses

Administrative expenses for the continuing operations amounted to HK\$54,429,000 (2018: HK\$56,782,000) for the year, decreased by 4.1% as compared to last year. This decrease 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\$74,493,000 for the year, decreased by 3.2% as compared to HK\$76,941,000 for last year. Such expenses were all incurred by the steel cord segment and whilst reduced during the year, our research and development effort has been able to align with the requirements from our tyres manufacturing customers.

Other income

Other income for the continuing operations of the Group increased by 349.7% from HK\$3,756,000 for the year ended 31 December 2018 to HK\$16,891,000 for the year ended 31 December 2019. This increase was primarily due to an increase in the government grants for supporting the enterprises.

Other losses, net

Other losses, net for the continuing operations of the Group increased by 229.3% from HK\$4,002,000 for the year ended 31 December 2018 to HK\$13,179,000 for the year ended 31 December 2019. This increase was primarily due to (i) an increase of HK\$9,745,000 in impairment losses on property, plant and equipment of producing certain products; and (ii) an increase of HK\$5,944,000 in fair value loss on Convertible Bonds. However, the increase was offset in part by the increase in net fair value gains on foreign currency hedging contracts.

Reversal of impairment losses on land use rights

Reversal of impairment losses on land use rights amount to HK\$17,456,000 for the year ended 31 December 2019 due to the commencement of the construction work of TESC Phase II Project in November 2019.

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 short to medium term loans from banks. The loan 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 remained at 1,922,900,556 Shares at 31 December 2018 and 2019. Net asset value of the Group was HK\$1,415,072,000 at 31 December 2019, increased slightly by 5.7% as compared to HK\$1,339,150,000 at 31 December 2018. The increase in net asset value was attributable to the net profit throughout the year. Net asset value per Share was HK\$0.736 at 31 December 2019, also increased by 5.7% as compared to HK\$0.696 at 31 December 2018.

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 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 2019, the Group had utilised the aforesaid proceeds in the manner as set out in the table below:

| | Net proceeds from the Subscription <i>HK\$ million</i> | Utilised amount <i>HK\$ million</i> | Unutilised amount <i>HK\$ million</i> |
|--|--|---|---|
| Repaying interest-bearing borrowings with higher interest rate of the Group | 37.3 | 37.3 | - |
| Funding the capital investment for the TESC Phase II Project | 110.0 | 31.8 | 78.2 |
| Supplementing general working capital | 1.7 | 1.7 | - |
| Total | 149.0 | 70.8 | 78.2 |

The unutilized net proceeds, being approximately HK\$78.2 million, is expected to be used as intended by 2021. Detailed schedule depends on the actual progress of construction, the development of the Company and market situation.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$101,732,000 at 31 December 2019, decreased by 30.0% as compared to HK\$145,312,000 at 31 December 2018. Total interest bearing borrowings of the Group (comprised of loans from related companies, bank borrowings and Convertible Bonds) were HK\$821,290,000 at 31 December 2019, decreased by 25.4% as compared to HK\$1,100,809,000 at 31 December 2018. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore decreased from HK\$955,497,000 at 31 December 2018 to HK\$719,558,000 at 31 December 2019.

Debt and liquidity ratios

Gearing ratio represents total interest bearing borrowings less bank balances and cash (including pledged bank deposits) is divided by total equity of the Group decreased markedly from 71.4% at 31 December 2018 to 50.8% at 31 December 2019. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.28 times at 31 December 2019 as compared to 1.19 times at 31 December 2018.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's source of revenue is mainly denominated in EURO, RMB and USD while those of purchases and payments are mainly denominated in RMB and HKD. During the year under review, the Group managed its exchange rate exposures of HKD denominated liabilities against RMB and EUR denominated assets against RMB by entering into the foreign currency hedging contracts to sell RMB vs HKD with aggregate notional amount of HK\$280,000,000 and to sell EUR vs RMB with aggregate notional amount of EUR2,000,000. These contracts were fully fixed before 31 December 2019.

In respect of exposure to interest rate risk, the majority of interest bearing borrowings at 31 December 2019 were at fixed instead of floating rates. Since the minority of interest bearing borrowings was in floating rates, the Group has not entered into any interest rate swaps on the floating rate borrowings. In light of the relatively lacklustre economic data published lately, the prevailing market view is a cut in interest rate and hence, we do not anticipate to conduct any interest rate swaps in the near term.

We will review and adjust the currency composition of our interest bearing borrowings from time to time to minimise our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimise our exchange and interest rate risks when needed, such as entering into new derivative financial instruments to hedge the risk of RMB exchange rate in 2020.

CAPITAL COMMITMENTS

At 31 December 2019, the Group had commitments in respect of property, plant and equipment amounted to HK\$143,513,000.

BUSINESS DEVELOPMENT PLAN

In 2010 and 2011, TESC acquired the land use rights of three parcels of land through a public auction for a total consideration of RMB81,120,000 (the “Lands”) as plant site for its expansion of production capacity. However, given the changes in the market of steel cord and strategic review of the expansion plan, TESC has yet to utilize the Lands since its acquisition, nor received the relevant land use right certificates.

In late November 2017, TESC received a notice regarding the rescission of the confirmation letter in respect of the successful bidding of state-owned land for construction (《國有建設用地掛牌出讓成交確認書》) from Tengzhou City Natural Resources Bureau (滕州市自然資源局) (formerly known as Tengzhou Municipal State-owned Land Resources Bureau (滕州市國土資源局)) regarding the Lands in the state of being idle. Subsequently, the Group conducted several rounds of negotiation with the Tengzhou governmental authorities with an aim to reach a consensus for TESC to continue utilizing the Lands.

During the year, TESC has 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 Lands. Pursuant to the agreements, TESC shall invest in construction of the production lines for an annual capacity of 100,000 tonnes steel cords (of which the construction project of production lines with annual capacity of 20,000 tonnes of brass wires (half-product or work in progress of steel cords) is an integral part) on the Lands.

In August 2019, TESC received the land use right certificates of the Lands from Tengzhou City Natural Resources Bureau (滕州市自然資源局). 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 consturcture the factory plant, ancillary facilities and peripheral roads in November 2019. The project is carried out by phases according to the market conditions and the financial capacity of the Company from time to time. The brass wire project as aforementioned is expected to bring positive impact on the performance of the steel cord segment as some of the existing production of brass wires of JESC, which have been in use for over 20 years, incurs high maintenance and operation cost with relatively low production efficiency and quality instability.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2019, the Group had a total of 2,043 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, hospitalization 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\$217 million.

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

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

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

During the year, no options were granted, exercised, cancelled and lapsed under the 2012 Scheme while 4,000,000 share options lapsed under the 2002 Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 31 December 2019.

At 31 December 2019, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$189,388,000;
2. Land use rights with an aggregate amount of HK\$59,951,000; and
3. Bank deposits of HK\$53,921,000.

BUSINESS OUTLOOK

Hong Kong experienced various tactile challenges in 2019 notably in the crosshair of the Sino-American trade squabble, unremitting social demonstrations commenced in the latter half of the year and most critical of all, the recent coronavirus crisis which caused and will continue to cause restricted movement in human resources, torment in logistics for normal business activities and uncertainties in the global economy in 2020. Under these untoward circumstances and that we have not yet known how and when the coronavirus infection can be contained, we envisage the performance of the Group in the first quarter will be lagging when compared with our stalwart results in 2019. We believe that the demand and supply dynamics of the steel cord and tyres sectors remain stable in the short run but more participants in both sectors are relocating their respective production capacities abroad to circumvent US and China trade dispute albeit Phase 1 of the trade agreement has been reached. The relocation of tyres making facilities should create more export opportunities for our Group. In short, we remain hopeful that our business will gradually return to normal in the second half of 2020 underscored by the low inventory level of our tyres manufacturing customers, the palpable stimulus by the Central Government both on the fiscal and monetary fronts, and in the longer run, the potential of the replacement tyres market in the PRC.

The coronavirus outbreak is unlikely to deter our goal to maintain our market share and as a leading steel cord manufacturers in the PRC. Building upon our strengths in the recognition of our brand, the knowledge on and relationship with our multinational clientele, responsive research and development effort, and accountable customer services, we will: -

- continue the construction of our new brass wire facility at TESC to facilitate the expansion plan of an additional 100,000 tonnes steel cord manufacturing capacity within the 14th Five Year Plan;
- expand our export effort which has already outperformed the growth of steel cord export amongst our peers in 2019;
- further reduce our cost of production by streamlining our manufacturing process and increasing automation;
- further decrease our overall debt level and financial charges; and
- continue to curtail the impact of foreign exchange fluctuation on our profitability.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK1 cent per fully paid ordinary share (2018: Nil), with total amount of approximately HK\$19 million for the year ended 31 December 2019, payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 9 June 2020. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2019 has not been recognized as a liability as at 31 December 2019.

Subject to Shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Wednesday, 27 May 2020, the final dividend is expected to be paid on or about Friday, 26 June 2020. 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 Tuesday, 9 June 2020 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 21 May 2020 to Wednesday, 27 May 2020, 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 Wednesday, 27 May 2020, 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 Wednesday, 20 May 2020.

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 2019 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 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 2019, the Company repurchased an aggregate of 3,790,000 ordinary shares for a total consideration of approximately HK\$704,960 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. The repurchased shares were cancelled in March 2020. Details of the shares repurchased are as follows:

| Month of repurchase in 2019 | Number of shares repurchased | Consideration per share | | Aggregate consideration paid HK\$ |
|-----------------------------|------------------------------|-------------------------|-------------|-----------------------------------|
| | | Highest HK\$ | Lowest HK\$ | |
| November | 1,060,000 | 0.185 | 0.180 | 194,338 |
| December | 2,730,000 | 0.202 | 0.176 | 510,622 |
| | <u>3,790,000</u> | | | <u>704,960</u> |

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

CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, the Company has complied with all the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the year ended 31 December 2019, except for deviations from code provisions A.2.1, A.6.7 and D.1.4 of the Code as below:

Deviation from code provision A.2.1 of Code

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

Deviation from code provision A.6.7 of Code

During the year, Mr. Liao Jun (“Mr. Liao”), who is a non-executive Director of the Company, was unable to attend the general meeting held on 1 February 2019 regarding the proposed issue of Convertible Bonds due to his other business engagement and this might constitute a deviation of the code provision A.6.7 of the Code which requires generally the independent non-executive Directors and non-executive Directors to attend general meetings and develop a balanced understanding of the views of Shareholders. Notwithstanding the deviation, Mr. Liao demonstrated an active participation and contributed his skills, expertise from his varied backgrounds and qualifications to the board meetings he attended during the year under review. The Board will advise Mr. Liao to use his endeavors to attend all future general meetings.

Deviation from code provision D.1.4 of Code

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

ACKNOWLEDGEMENTS

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

FORWARD LOOKING STATEMENTS

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

DEFINITIONS

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

| | |
|----------------------------------|--|
| “2002 Scheme” | A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively |
| “2012 Scheme” | A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012 |
| “Bekaert” | NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the SFO) |
| “Board” | the board of Directors |
| “Code” | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| “Company”/ “Shougang Century” | Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main board of the Stock Exchange |
| “Conversion Price” | HK\$0.33 per Conversion Share (subject to adjustments) |
| “Convertible Bonds” | the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of HK\$150,000,000 due 2022 (extendable to 2024) issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement |
| “Director(s)” | the director(s) of the Company |
| “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 |

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|-----------------------------------|---|
| “SCCHL Corporate Governance Code” | Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time) |
| “Share(s)” | ordinary share(s) of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Shougang Fund” | Beijing Shougang Fund Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group Co., Ltd. |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription” | the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement |
| “Subscription Agreement” | the subscription agreement dated 18 December 2018 entered into between the Company and Jingxi Holdings in relation to the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement |
| “TESC” | Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company |
| “TESC Phase II Project” | the construction project of production lines with an annual capacity of 20,000 tonnes of brass wires (half product or work in progress) |
| “US” | The United States of America |
| “USD” | United States dollars, the lawful currency of the United States |
| “%” | per cent |

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

Hong Kong, 24 March 2020

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

Mr. Su Fanrong (Chairman and Managing Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Liao Jun (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).

This final results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/scCentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2019 Annual Report will be despatched to Shareholders and made available on the above websites in due course.