



# SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code: 103

## 2020

*Interim Report*



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## CORPORATE PROFILE

**Shougang Concord Century Holdings Limited** (“Shougang Century”; together with its subsidiaries, collectively the “Group”) has been listed on the Stock Exchange since April 1992. Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission) and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of Shougang Century.

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. manufacturing of sawing wires

## CORPORATE’S GOAL

- strive for a successful “Eastern” brand recognition in steel cord industry
- be one of the top three independent manufacturers in China steel cord industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality wire related products

*To learn more about Shougang Century, please visit <http://www.shougangcentury.com.hk>.*

## CORPORATE INFORMATION

As at 17 August 2020

### Board of Directors

#### Executive Directors

Su Fanrong (*Chairman and Managing Director*)  
Tang Cornor Kwok Kau (*Deputy Managing Director*)  
Ye Qian  
Li Jinping

#### Non-executive Director

Liao Jun

#### Independent

#### Non-executive Directors

Yip Kin Man, Raymond  
Lam Yiu Kin  
Feng Yaoling

### Audit Committee

Yip Kin Man, Raymond (*Chairman*)  
Lam Yiu Kin  
Feng Yaoling

### Remuneration Committee

Yip Kin Man, Raymond (*Chairman*)  
Su Fanrong (*Vice Chairman*)  
Lam Yiu Kin  
Feng Yaoling

### Nomination Committee

Su Fanrong (*Chairman*)  
Yip Kin Man, Raymond (*Vice Chairman*)  
Lam Yiu Kin  
Feng Yaoling

### Authorised Representatives

Tang Cornor Kwok Kau  
Cheung Wa Ying

### Company Secretary

Cheung Wa Ying

## **CORPORATE INFORMATION (continued)**

As at 17 August 2020

<b>Principal Bankers</b>	Agricultural Bank of China Bank of China Bank of China (Hong Kong) Limited China CITIC Bank Fubon Bank Industrial and Commercial Bank of China
<b>Auditor</b>	PricewaterhouseCoopers <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i>
<b>Internal Auditor</b>	Moore Advisory Services Limited
<b>Share Registrar</b>	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Registered Office</b>	Room 1215, 12/F., Honour Industrial Centre 6 Sun Yip Street, Chai Wan Hong Kong
<b>Company's Website</b>	<a href="http://www.shougangcentury.com.hk">http://www.shougangcentury.com.hk</a>
<b>Website For Publishing Listing Rules Related Announcements And Other Documents</b>	<a href="http://www.irasia.com/listco/hk/sccentury/">http://www.irasia.com/listco/hk/sccentury/</a>
<b>HKEx Stock Code</b>	103
<b>Listing Date</b>	9 April 1992

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	Change
<b>Operations</b>			
Revenue (Note (a))	<b>862,997</b>	1,095,773	<b>-21.2%</b>
Gross profit (Note (a))	<b>152,758</b>	181,821	<b>-16.0%</b>
Gross profit margin (Note (a))	<b>17.7%</b>	16.6%	<b>+1.1pp</b>
Adjusted EBITDA (Note (b))	<b>101,562</b>	123,816	<b>-18.0%</b>
Profit for the period	<b>35,863</b>	35,201	<b>+1.9%</b>
Basic earnings per Share (HK cents)	<b>1.87</b>	1.83	<b>+2.2%</b>
	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000	<b>Change</b>
<b>Financial position</b>			
Net asset	<b>1,396,219</b>	1,415,072	<b>-1.3%</b>
Gearing ratio (Note (c))	<b>40.6%</b>	50.8%	<b>-10.2pp</b>

### Notes:

- Such item excludes discontinued operation.
- Adjusted EBITDA, a non-HKFRS measure, represents profit before income tax, loss from discontinued operation, finance costs (excluding foreign exchange difference on borrowings and convertible bonds), depreciation, amortisation and change in fair value of a financial liability at fair value through profit or loss.
- Gearing ratio represents total interest bearing borrowings less bank balances and cash (including pledged bank deposits) is divided by total equity.

## INFORMATION FOR INVESTORS

### Share Information

Board lot size:	2,000 Shares
Shares issued as at 30 June 2020:	1,904,516,556 Shares
Market capitalisation as at 30 June 2020:	HK\$377,094,278
Closing Share price as at 30 June 2020:	HK\$0.198
Basic earnings per Share for the six months ended 30 June 2020:	HK1.87 cents

### Key Date

Announcement of 2020 Interim Results:	17 August 2020
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### Investor Relations Contact

Address	:	Room 1215, 12/F., Honour Industrial Centre 6 Sun Yip Street, Chai Wan, Hong Kong
Telephone	:	(852) 2527 2218
Fax	:	(852) 2861 3527
E-mail address	:	business_link@shougangcentury.com.hk ir@shougangcentury.com.hk scchl@shougangcentury.com.hk
Website	:	<a href="http://www.shougangcentury.com.hk">http://www.shougangcentury.com.hk</a>

### Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost Share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address	:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone	:	(852) 2980 1333
Fax	:	(852) 2810 8185
E-mail address	:	is-enquiries@hk.tricorglobal.com
Website	:	<a href="http://www.tricoris.com">http://www.tricoris.com</a>

## BUSINESS CONTACTS



### **Jiaxing Eastern Steel Cord Co., Ltd.**

Address: 1 Dong Fang Road, Jiaxing Economic  
Development Zone, Zhejiang Province, PRC  
Postal code: 314003  
Telephone: (86) 573 8222 2790  
Fax: (86) 573 8221 3500  
Website: <http://www.jesc.com.cn>  
E-mail address: [jesc@jesc.com.cn](mailto:jesc@jesc.com.cn)



### **Tengzhou Eastern Steel Cord Co., Ltd.**

Address: 1 Dong Fang Road, Tengzhou Economic  
Development Zone, Shandong Province, PRC  
Postal code: 277500  
Telephone: (86) 632 525 2100  
Fax: (86) 632 525 2111  
Website: <http://www.tesc.com.cn>  
E-mail address: [tesc@tesc.com.cn](mailto:tesc@tesc.com.cn)



### **首長實佳 (上海) 管理有限公司**

Address: Room 2505, Tower 1, SOHO Tianshan Plaza,  
No.421 Ziyun Road, Shanghai, PRC  
Postal code: 200051  
Telephone: (86) 21 6291 8806  
Fax: (86) 21 6291 8805



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD CENTURY HOLDINGS LIMITED  
(*incorporated in Hong Kong with limited liability*)

### Introduction

We have reviewed the interim financial information set out on pages 10 to 46, which comprises the interim condensed consolidated statement of financial position of Shougang Concord Century Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 17 August 2020

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>			
Revenue	6	<b>862,997</b>	1,095,773
Cost of sales	8	<b>(710,239)</b>	(913,952)
Gross profit		<b>152,758</b>	181,821
Other income	6	<b>2,454</b>	3,243
Other losses, net	7	<b>(7,981)</b>	(72)
Distribution and selling expenses	8	<b>(41,904)</b>	(39,486)
Administrative expenses	8	<b>(26,650)</b>	(28,388)
Research and development expenses	8	<b>(30,068)</b>	(36,854)
Foreign exchange gains/(losses), net		<b>5,183</b>	(77)
Changes in fair values of investment properties	13(a)	<b>(1,503)</b>	114
Reversal of net impairment losses/ (net impairment losses) on financial assets	14(c)	<b>2,507</b>	(7,808)
Finance costs, net	9	<b>(17,690)</b>	(33,011)
Profit before income tax		<b>37,106</b>	39,482
Income tax (expense)/credit	10	<b>(1,101)</b>	89
Profit from continuing operations		<b>36,005</b>	39,571
<b>Discontinued operation</b>			
Loss from discontinued operation	20	<b>(142)</b>	(4,370)
Profit for the period		<b>35,863</b>	35,201
		<b>HK cents</b>	HK cents
Earnings per share for profit from continuing operations attributable to the owners of the Company			
– Basic	11	<b>1.88</b>	2.06
– Diluted	11	<b>1.88</b>	2.06
Earnings per share for profit for the period attributable to the owners of the Company			
– Basic	11	<b>1.87</b>	1.83
– Diluted	11	<b>1.87</b>	1.83

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
Profit for the period		<b>35,863</b>	35,201
<b>Other comprehensive (loss)/income arising from continuing operations</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		<b>(32,804)</b>	(6,223)
Revaluation of leasehold land and buildings	13(b)	<b>1,281</b>	(92)
Recognition of deferred income tax (liability)/asset on revaluation of leasehold land and buildings		<b>(261)</b>	37
		<b>(31,784)</b>	(6,278)
<b>Other comprehensive loss arising from discontinued operation</b>			
<i>Item that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency	20	<b>(772)</b>	(174)
Total comprehensive income for the period, net of tax		<b>3,307</b>	28,749
Total comprehensive income/(loss) for the period arises from:			
– Continuing operations		<b>4,221</b>	33,293
– Discontinued operation	20	<b>(914)</b>	(4,544)
		<b>3,307</b>	28,749

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	13(a)	52,023	54,093
Property, plant and equipment	13(b)	1,055,004	1,078,262
Right-of-use assets		975	1,569
Land use rights		92,522	95,627
Intangible assets		–	–
Prepayments for the acquisition of property, plant and equipment		10,619	10,464
<b>Total non-current assets</b>		<b>1,211,143</b>	<b>1,240,015</b>
<b>Current assets</b>			
Inventories		270,691	294,981
Trade receivables	14	528,902	579,443
Bills receivable	14	613,795	898,284
Prepayments, deposits and other receivables		23,614	29,463
Pledged bank deposits		30,300	53,921
Bank balances and cash		67,651	47,811
<b>Total current assets</b>		<b>1,534,953</b>	<b>1,903,903</b>
<b>Total assets</b>		<b>2,746,096</b>	<b>3,143,918</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		524	487
Bank borrowings	18	–	210,241
Lease liabilities		–	404
Deferred income tax liabilities		25,844	25,853
<b>Total non-current liabilities</b>		<b>26,368</b>	<b>236,985</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	15	497,376	707,010
Other payables and accruals	16	157,276	169,104
Current income tax liabilities		3,196	3,493
Loan from a related company	17	–	57,644
Bank borrowings	18	508,193	400,461
Lease liabilities		1,014	1,205
Financial liability at fair value through profit or loss	19	156,454	152,944
<b>Total current liabilities</b>		<b>1,323,509</b>	1,491,861
<b>Total liabilities</b>		<b>1,349,877</b>	1,728,846
<b>EQUITY</b>			
Share capital	21	1,191,798	1,191,798
Reserves		204,421	223,274
<b>Total equity</b>		<b>1,396,219</b>	1,415,072
<b>Total equity and liabilities</b>		<b>2,746,096</b>	3,143,918

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	(Unaudited)						Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note i)	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC reserve funds HK\$'000 (Note ii)	Accumulated losses HK\$'000	
<b>For the six months ended 30 June 2020</b>							
At 1 January 2020	1,191,798	23,990	149,460	206,815	76,556	(233,547)	1,415,072
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	35,863	35,863
<b>Other comprehensive (loss)/income</b>							
Exchange differences arising on translation into presentation currency	-	-	-	(33,576)	-	-	(33,576)
Revaluation of leasehold land and buildings (Note 13(b))	-	-	1,281	-	-	-	1,281
Recognition of deferred income tax liability on revelation of leasehold land and buildings	-	-	(261)	-	-	-	(261)
<b>Total comprehensive income/(loss) for the period</b>	-	-	1,020	(33,576)	-	35,863	3,307
Buy-back of ordinary shares	-	-	-	-	-	(3,096)	(3,096)
Transfer to PRC reserve funds	-	-	-	-	5,491	(5,491)	-
Dividend	-	-	-	-	-	(19,064)	(19,064)
<b>At 30 June 2020</b>	<b>1,191,798</b>	<b>23,990</b>	<b>150,480</b>	<b>173,239</b>	<b>82,047</b>	<b>(225,335)</b>	<b>1,396,219</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2020

	(Unaudited)							
	Share capital	Capital reserve	Property revaluation reserve	Translation reserve	Share option reserve	PRC reserve funds	Accumulated losses	Total
	HK\$'000	HK\$'000 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note ii)	HK\$'000	HK\$'000
<b>For the six months ended</b>								
<b>30 June 2019</b>								
At 1 January 2019	1,191,798	23,990	147,598	240,394	1,080	71,145	(336,855)	1,339,150
<b>Comprehensive income</b>								
Profit for the period	-	-	-	-	-	-	35,201	35,201
<b>Other comprehensive (loss)/income</b>								
Exchange differences arising on translation into presentation currency	-	-	-	(6,397)	-	-	-	(6,397)
Revaluation of leasehold land and buildings (Note 13(b))	-	-	(92)	-	-	-	-	(92)
Recognition of deferred income tax asset on revelation of leasehold land and buildings	-	-	37	-	-	-	-	37
Total comprehensive (loss)/income for the period	-	-	(55)	(6,397)	-	-	35,201	28,749
At 30 June 2019	1,191,798	23,990	147,543	233,997	1,080	71,145	(301,654)	1,367,899

### Notes:

- i. The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.
- ii. In accordance with the Articles of Association of the Company's subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve fund is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<b>Cash flows from operating activities</b>		
<b>Continuing operations</b>		
Cash generated from operations	204,898	106,369
PRC corporate income tax paid, net	(1,314)	–
Net cash generated from operating activities from continuing operations	203,584	106,369
Net cash (used in)/generated from operating activities from discontinued operation	(169)	466
<b>Net cash generated from operating activities</b>	203,415	106,835
<b>Cash flows from investing activities</b>		
Placement of pledged bank deposits	(30,300)	(10,402)
Purchase of property, plant and equipment	(16,885)	(2,352)
Prepayments for the acquisition of property, plant and equipment	(1,992)	(4,349)
Withdrawal of pledged bank deposits	52,879	78,321
Proceeds from disposals of property, plant and equipment	537	964
Interest received	407	360
Net cash generated from investing activities from continuing operations	4,646	62,542
Net cash generated from investing activities from discontinued operation	1	1
<b>Net cash generated from investing activities</b>	4,647	62,543

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(144,720)	(337,700)
Repayment of loans from related companies	(50,000)	(33,428)
Interest paid	(19,307)	(26,482)
Payments for principal elements of lease liabilities	(578)	(573)
Proceeds from bank borrowings	107,110	230,170
Proceeds from discounted bills	162,946	124,800
Repayments of discounted bills	(217,596)	(210,834)
Issuance of convertible bonds	–	150,000
Settlement of convertible bonds	(3,000)	–
Share repurchase	(3,096)	–
Dividend paid	(19,064)	–
Net cash used in financing activities from continuing operations	(187,305)	(104,047)
Net cash used in financing activities from discontinued operation	(18)	(18)
<b>Net cash used in financing activities</b>	<b>(187,323)</b>	<b>(104,065)</b>
Net increase in cash and cash equivalents	20,739	65,313
Cash and cash equivalents at 1 January	47,811	66,682
Exchange loss on cash and cash equivalents	(899)	(256)
<b>Cash and cash equivalents at 30 June</b>	<b>67,651</b>	<b>131,739</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2020

### 1. GENERAL INFORMATION

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

The Company is a limited 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 Hong Kong Limited (the “Stock Exchange”).

This condensed consolidated interim financial information is presented in thousands of units of Hong Kong dollar (HK\$’000), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

### 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements, accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

### 3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (*Note 10*) and the adoption of new and amended standards as set out below.

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

A number of new or amended standards became effective for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 3. ACCOUNTING POLICIES (continued)

#### 3.1 New and amended standards and interpretations adopted by the Group (continued)

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

*Note:* The Group has elected to early adopt the above standard.

None of these has material impact on the Group's accounting policies and did not require any adjustments.

#### 3.2 Impact of standards issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for the accounting period beginning on or after
HKFRS 3 (Amendment)	Reference to the Conceptual Framework	1 January 2022
HKAS 16 (Amendment)	Property, plant and equipment – proceeds before intended use	1 January 2022
HKAS 37 (Amendment)	Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKAS 1 (Amendment)	Classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 4. FAIR VALUE ESTIMATION

The table below analyses the Group's financial instrument carried at fair value as at 30 June 2020 and 31 December 2019 by level of valuation techniques used to measure its fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial liability that is measured at fair value as at 30 June 2020 and 31 December 2019:

	<b>(Unaudited)</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 30 June 2020</b>				
Financial liability at fair value through profit or loss				
– Convertible bonds	–	–	156,454	156,454

	<b>(Audited)</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 31 December 2019</b>				
Financial liability at fair value through profit or loss				
– Convertible bonds	–	–	152,944	152,944

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 4. FAIR VALUE ESTIMATION (continued)

#### 4.1 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Financial liability at fair value through profit or loss – Convertible bonds</b>		
At beginning of the period	<b>152,944</b>	–
Issuance of convertible bonds	–	150,000
Settlement	<b>(3,000)</b>	–
Fair value loss recognised in profit or loss (Note 7)	<b>6,510</b>	1,763
At end of the period	<b>156,454</b>	151,763

Specific valuation techniques used to value level 3 financial instruments include techniques such as Black-Scholes model with Trinomial Tree method.

The Group has engaged the independent and professionally qualified valuers to perform the valuations of financial instruments required for financial reporting purposes, including level 3 fair values.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 4. FAIR VALUE ESTIMATION (continued)

#### 4.1 Fair value measurements using significant unobservable inputs (level 3) (continued)

Quantitative information about fair value measurements using significant unobservable inputs (level 3):

##### (a) Financial liability at fair value through profit or loss – Convertible bonds

The key unobservable assumptions used in the valuation of the convertible bonds as at 30 June 2020 and 31 December 2019 are:

Valuation techniques	Unobservable inputs	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Black-Scholes model with Trinomial Tree method	Risk-free rate	0.74%	1.99%
	Volatility	48.93%	50.51%

If the risk-free rate increased by 1%, the impact on profit would be HK\$2,183,000 higher. The higher the risk-free rate, the lower the fair value.

If the volatility increased by 5%, the impact on profit would be HK\$2,887,000 lower. The higher the volatility, the higher the fair value.

### 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.

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 20).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 5. SEGMENT INFORMATION (continued)

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 six months ended 30 June 2020

	<b>Steel cord (Unaudited) HK\$'000</b>
Sales of goods:	
Segment revenue from external customers	<b>862,235</b>
Segment results	<b>74,700</b>
Unallocated amounts	
Rental income	<b>762</b>
Other income	<b>235</b>
Other losses, net and foreign exchange losses, net	<b>(7,369)</b>
Changes in fair values of investment properties	<b>(1,503)</b>
Expenses	<b>(12,029)</b>
Finance costs, net	<b>(17,690)</b>
Profit before income tax	<b>37,106</b>
Income tax expense	<b>(1,101)</b>
Profit from continuing operations	<b>36,005</b>
Loss from discontinued operation	<b>(142)</b>
Profit for the period	<b>35,863</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2019

	Steel cord (Unaudited) HK\$'000 (Restated)
Sales of goods:	
Segment revenue from external customers	1,094,905
Segment results	82,396
Unallocated amounts	
Rental income	868
Other income	342
Other gains, net and foreign exchange gains, net	1,325
Changes in fair values of investment properties	114
Expenses	(12,552)
Finance costs, net	(33,011)
Profit before income tax	39,482
Income tax credit	89
Profit from continuing operations	39,571
Loss from discontinued operation	(4,370)
Profit for the period	35,201

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 6. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>		
<b>Revenue</b>		
Sales of goods:		
Manufacturing of steel cords	862,235	1,094,905
Rental income	762	868
	<b>862,997</b>	<b>1,095,773</b>
<b>Other income</b>		
Government grants (Note)	814	807
Sales of scrap materials	1,476	1,647
Others	164	789
	<b>2,454</b>	<b>3,243</b>

Note: Government grants represented immediate financial subsidies granted by the local government in the PRC and Hong Kong.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 7. OTHER LOSSES, NET

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>		
Net fair value (losses)/gains on derivatives held for trading	(706)	1,954
Fair value loss on a financial liability at fair value through profit or loss	(6,510)	(1,763)
Losses on disposals of property, plant and equipment, net	(130)	(205)
Others	(635)	(58)
	<b>(7,981)</b>	<b>(72)</b>

### 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:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>		
Cost of inventories sold (excluding reversal of provision for inventories, net)	705,463	904,936
Employee benefit expense (including directors' emoluments)	94,893	106,916
Depreciation of property, plant and equipment	42,116	51,907
Depreciation of right-of-use assets	576	599
Amortisation of land use rights	1,267	2,286
Auditor's remuneration		
– Audit services	728	728
– Non-audit services	428	428
Reversal of provision for inventories, net	(958)	(222)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 9. FINANCE COSTS, NET

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2019 (Unaudited) HK\$'000 (Restated)
<b>Continuing operations</b>		
<b>Finance income</b>		
Interest income on bank deposits	<b>407</b>	360
<b>Finance costs</b>		
Interest expenses on bank borrowings	<b>(12,486)</b>	(21,826)
Interest expenses on loan from related companies	<b>(670)</b>	(4,643)
Interest expenses on lease liabilities	<b>(35)</b>	(65)
Amortisation of loan transaction costs	<b>(796)</b>	(1,246)
Foreign exchange losses on borrowings and financial liability at fair value through profit or loss	<b>(4,110)</b>	(5,591)
	<b>(18,097)</b>	(33,371)
<b>Finance costs, net</b>	<b>(17,690)</b>	(33,011)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 10. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current income tax:		
– China corporate income tax	4,853	484
Overprovision in prior periods	(3,772)	(647)
Total current income tax	1,081	(163)
Deferred income tax	20	74
Income tax expense/(credit)	1,101	(89)
Income tax expense/(credit) is attributable to:		
– Continuing operations	1,101	(89)
– Discontinued operation (Note 20)	–	–
	1,101	(89)

Income tax is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. No provision for Hong Kong profits tax for the six months ended 30 June 2020 and 2019 as there is no assessable profit subject to Hong Kong profits tax for both periods.

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 Jiaying Eastern Steel Cord Co., Ltd ("JESC") and Tengzhou Eastern Steel Cord Co., Ltd ("TESC") was 15% for the six months ended 30 June 2020 and 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 11. EARNINGS PER SHARE

#### (a) Basic

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited) (Restated)
Profit/(loss) attributable to the owners of the Company used in calculating basic earnings per share:		
– Continuing operations (HK\$'000)	<b>36,005</b>	39,571
– Discontinued operation (HK\$'000)	<b>(142)</b>	(4,370)
	<b>35,863</b>	35,201
Weighted average number of ordinary shares in issue (shares)	<b>1,915,102,270</b>	1,922,900,556
From continuing operations attributable to the owners of the Company (HK cents)	<b>1.88</b>	2.06
From discontinued operation (HK cents)	<b>(0.01)</b>	(0.23)
Basic earnings per share attributable to the owners of the Company (HK cents)	<b>1.87</b>	1.83

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 11. EARNINGS PER SHARE (continued)

#### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category (2019: two categories) of potentially dilutive ordinary shares: convertible bonds (*Note 19*) (2019: share options and convertible bonds). 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 period) based on the monetary value of the subscription rights attached to outstanding convertible bonds.

For the six months ended 30 June 2020 and 2019, as the outstanding share options and convertible bonds would result in anti-dilution at earnings per share, the diluted earnings per share equals the basic earnings per share.

### 12. DIVIDENDS

At a board meeting held on 24 March 2020, the directors recommended the payment of a final dividend of HK1 cent per ordinary share, totalling approximately HK\$19,064,000, which was paid in June 2020.

No interim dividend has paid or proposed for the six months ended 30 June 2020 and 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 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 (Unaudited) HK\$'000
At 1 January 2019	55,449
Changes in fair values recognised in profit or loss	114
Exchange differences	(115)
<b>At 30 June 2019</b>	<b>55,448</b>
At 1 January 2020	54,093
Changes in fair values recognised in profit or loss	(1,503)
Exchange differences	(567)
<b>At 30 June 2020</b>	<b>52,023</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 13. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

	(Unaudited) HK\$'000
At 1 January 2019	1,166,333
Additions	14,224
Disposals	(1,169)
Depreciation	(51,920)
Revaluation	(92)
Exchange differences	(4,387)
	<hr/>
At 30 June 2019	1,122,989
	<hr/>
At 1 January 2020	1,078,262
Additions	41,558
Disposals	(668)
Depreciation	(42,129)
Revaluation	1,281
Exchange differences	(23,300)
	<hr/>
At 30 June 2020	1,055,004
	<hr/>

As at 30 June 2020, buildings located in the PRC amounting to approximately HK\$184,489,000 (31 December 2019: HK\$189,388,000) is pledged to secure bank borrowings.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 14. TRADE RECEIVABLES AND BILLS RECEIVABLE

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Trade receivables (Note (a))	<b>547,287</b>	600,817
Less: provision for impairment losses on trade receivables (Note (c))	<b>(18,385)</b>	(21,374)
	<b>528,902</b>	579,443
Bills receivable (Note (b))	<b>613,795</b>	898,284
	<b>1,142,697</b>	1,477,727

#### (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:

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Up to 90 days	<b>361,000</b>	407,713
91 to 180 days	<b>129,822</b>	156,211
Over 180 days	<b>56,465</b>	36,893
	<b>547,287</b>	600,817

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 14. TRADE RECEIVABLES AND BILLS RECEIVABLE (continued)

#### (b) Bills receivable

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 90 days	79,082	103,376
91 to 180 days	240,048	320,396
Over 180 days	294,665	474,512
	<b>613,795</b>	898,284

As at 30 June 2020, the Group's bills receivable mature within one year (31 December 2019: same).

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

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

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
At beginning of the period	21,374	20,124
(Reversal of net impairment losses)/net impairment losses on trade receivables for the period		
– Continuing operations	(2,507)	7,808
– Discontinued operation (Note 20)	(67)	1,651
Exchange differences	(415)	(82)
At end of the period	<b>18,385</b>	29,501

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 15. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Trade payables (Note (a))	<b>417,239</b>	569,666
Bills payable (Note (b))	<b>80,137</b>	137,344
	<b>497,376</b>	707,010

#### (a) Trade payables

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

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Up to 30 days	<b>111,367</b>	135,320
31 to 90 days	<b>138,427</b>	193,141
91 to 180 days	<b>124,256</b>	203,667
181 to 365 days	<b>38,296</b>	36,221
Over 365 days	<b>4,893</b>	1,317
	<b>417,239</b>	569,666

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 15. TRADE AND BILLS PAYABLES (continued)

#### (b) Bills payable

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

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Up to 30 days	<b>18,283</b>	34,607
31 to 90 days	–	50,827
91 to 180 days	<b>61,854</b>	51,910
	<b>80,137</b>	137,344

### 16. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Contract liabilities	<b>972</b>	1,586
Accrued wages and salaries	<b>18,944</b>	22,921
Other tax payables	<b>12,738</b>	5,472
Payables for property, plant and equipment	<b>76,759</b>	77,146
Other accruals	<b>4,090</b>	3,653
Other payables	<b>43,773</b>	58,326
	<b>157,276</b>	169,104

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 17. LOAN FROM A RELATED COMPANY

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Loan from Shougang (Hong Kong) Finance Company Limited ( <i>Note</i> )	–	57,644

*Note:*

As at 31 December 2019, the amount represented the loan from and interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK"). The Company is an associate of Shougang HK. The loan was unsecured, bore interest at 4.5% per annum and repayable within one year. The loan has been settled in full during the six months ended 30 June 2020.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 18. BANK BORROWINGS

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Bank loans	<b>399,934</b>	445,840
Less: loan transaction costs	<b>(797)</b>	(1,593)
	<b>399,137</b>	444,247
Discounted bills with recourse	<b>109,056</b>	166,455
	<b>508,193</b>	610,702
Non-current portion	–	210,241
Current portion	<b>508,193</b>	400,461
	<b>508,193</b>	610,702
Secured	<b>136,425</b>	194,363
Unsecured	<b>371,768</b>	416,339
	<b>508,193</b>	610,702

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 18. BANK BORROWINGS (continued)

The Group's bank borrowings were repayable as follows:

	<b>As at 30 June 2020 (Unaudited) HK\$'000</b>	As at 31 December 2019 (Audited) HK\$'000
Within 1 year	<b>508,193</b>	400,461
Between 1 and 2 years	–	210,241
	<b>508,193</b>	610,702

The carrying amounts of the bank borrowings approximate their fair values.

As at 30 June 2020, the carrying amount of fixed rate bank loans is approximately HK\$508,193,000 (31 December 2019: HK\$610,702,000).

The discounted bills with recourse carry fixed rate.

The range of effective interest rates (which are also equal to contractual interest rates) on bank borrowings are as follows:

	<b>As at 30 June 2020 (Unaudited)</b>	As at 31 December 2019 (Audited)
Effective interest rate per annum:		
Fixed rate borrowings	<b>2.15% to 5.44%</b>	2.55% to 5.44%



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

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

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

The holder of the Convertible Bonds has:

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

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

The Convertible Bonds are initially recognised at the fair value as financial liability at fair value through profit or loss. The fair value of the Convertible Bonds as at 30 June 2020 and 31 December 2019 were valued by the independent and professionally qualified valuer, Greater China Appraisal Limited. The valuation was determined using Black-Scholes model with Trinomial Tree method.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 20. 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 condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income as discontinued operation in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” issued by the HKICPA. Comparative figures have been restated. The financial performance presented is for the six months ended 30 June 2020 and 2019.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Expenses	<b>(209)</b>	(2,719)
Reversal of net impairment losses/(net impairment losses) on financial assets ( <i>Note 14(c)</i> )	<b>67</b>	(1,651)
Loss before income tax	<b>(142)</b>	(4,370)
Income tax expense ( <i>Note 10</i> )	–	–
Loss from discontinued operation	<b>(142)</b>	(4,370)
Other comprehensive loss		
Exchange differences arising on translation into presentation currency	<b>(772)</b>	(174)
Total comprehensive loss from discontinued operation	<b>(914)</b>	(4,544)
Net cash (used in)/generated from operating activities	<b>(169)</b>	466
Net cash generated from investing activities	<b>1</b>	1
Net cash used in financing activities	<b>(18)</b>	(18)
Net (decrease)/increase in cash and cash equivalents	<b>(186)</b>	449

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 21. SHARE CAPITAL

	<b>Number of shares</b>	
	Thousand	HK\$'000
Issued and fully paid:		
At 1 January 2019, 30 June 2019 and 1 January 2020	1,922,901	1,191,798
Cancellation of shares ( <i>Note</i> )	(18,384)	–
<b>At 30 June 2020</b>	<b>1,904,517</b>	<b>1,191,798</b>

*Note:*

During the six months ended 30 June 2020, the Company repurchased 14,594,000 of its own shares. The total amount paid for the share repurchase was approximately HK\$3,096,000 and was charged to retained earnings within shareholders' equity. All of the repurchased 18,384,000 shares were cancelled during the six months ended 30 June 2020.

### 22. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. A new share option scheme (the "2012 Scheme") was adopted and the 2002 Scheme was terminated by the shareholders of the Company at the annual general meeting held on 25 May 2012.

The 2012 Scheme which serves the same purpose as the 2002 Scheme became effective on 29 May 2012 upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted, and will remain in force for a period of ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2012 Scheme is 192,290,055 shares which represented 10% of the number of issued shares of the Company as at the adoption date. The other principal terms of the 2012 Scheme are same as the 2002 Scheme.

No share options have been granted under the 2012 Scheme during the six months ended 30 June 2020 and 2019.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 22. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The movements of the share options granted under the 2002 Scheme:

	Number of share options
Outstanding at 1 January 2019	4,000,000
Lapsed during the year	(4,000,000)
<hr/>	
Outstanding at 31 December 2019, 1 January 2020 and 30 June 2020	–

### 23. CAPITAL COMMITMENTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the condensed consolidated financial information	<b>138,300</b>	143,513

### 24. RELATED PARTY TRANSACTIONS/BALANCES

The Company's substantial shareholder with significant influence is Shougang HK, which is a wholly owned subsidiary of Shougang Group Co., Ltd., a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission. Shougang Group Co., Ltd., together with its associates (as defined in the Listing Rules) other than the Group, will hereinafter be referred to as the "Shougang Group". Accordingly, the Group is significantly influenced by Shougang Group, which is part of a larger group of companies ultimately controlled by the PRC government.

Shougang HK, together with its subsidiaries and associates other than the Group, will hereinafter be referred to as the "Shougang HK Group". Apart from the transactions with Shougang HK Group, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 24. RELATED PARTY TRANSACTIONS/BALANCES (continued)

#### (i) Transactions with PRC government-related entities

##### (a) Transactions with Shougang HK Group and Shougang Fund

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Consultancy fees paid to Shougang HK Group	1,380	480
Interest expenses on loans from Shougang HK Group	670	4,643
Loans repaid to Shougang HK Group	50,000	33,428
Issuance of convertible bonds to Shougang Fund	–	150,000
Settlement of convertible bonds issued to Shougang Fund	3,000	–

##### (b) Transactions with other PRC government-related entities

The Group has entered into various transactions, including sales to, purchases from and other operating expenses paid to other PRC government-related entities. In the opinion of the directors of the Company, these transactions are considered as individually insignificant to the operation of the Group during the reporting period.

In addition, the Group has entered into various banking transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 24. RELATED PARTY TRANSACTIONS/BALANCES (continued)

#### (ii) Transactions with non-PRC government-related entities

##### *Compensation of key management personnel*

The key management of the Group comprises all executive directors of the Company, details of their emoluments are as follows:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Director fees	–	–
Salaries and other benefits	<b>2,513</b>	1,890
Retirement benefit scheme contributions	<b>18</b>	18
	<b>2,531</b>	1,908

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

For the six months ended 30 June 2020

### 25. STATEMENT REQUIRED BY SECTION 436(3) OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) (THE "COMPANIES ORDINANCE") IN RELATION TO THE PUBLICATION OF THE NON-STATUTORY ACCOUNTS FOR THE COMPARATIVE FINANCIAL INFORMATION INCLUDED IN THIS CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The financial information relating to the year ended 31 December 2019 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year 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 Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance (Cap. 622).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

The Group is principally engaged in the manufacturing of steel cords for radial tyres, sawing wire and other wire products. For the six months ended 30 June 2020, the Group recorded a revenue of approximately HK\$862,997,000 (2019: approximately HK\$1,095,773,000), representing a decrease of approximately 21.2% as compared with the last corresponding period. Nevertheless, the Group maintained a steady net profit of HK\$35,863,000 for the period as compared to HK\$35,201,000 same period last year.

### Business Review

The Group has faced severe challenges in the first half of 2020. Apart from the ongoing trade dispute between China and the U.S., the novel coronavirus ("COVID-19") outbreak in early 2020 delayed production of numerous enterprises after the Chinese New Year. This caused China's economic growth to shrink by 6.8% in the first quarter of 2020 compared to that of the same quarter of the previous year. Mitigated by the reopening of businesses from mid-April 2020, the Chinese government reported a growth of 3.2% in the gross domestic product (the "GDP") in the second quarter of 2020. Overall, the Chinese government reported a decline of 1.6% in the GDP for the first-half of 2020 year on year.

As a result, the steel cord segment sold 83,405 tonnes of steel cord during the period, decreased by 15.3% as compared to 98,482 tonnes in the same period last year. In respect of the sales of sawing wire, it increased substantially by 286.5% from 37 tonnes to 143 tonnes for the corresponding period last year attributable to our persistent effort in exploring new customers as well as the improvement of the photovoltaic, sapphire, and magnetic material markets. There was a 4.2% decrease in the sales of our other wire products from 4,605 tonnes to 4,410 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

	Six months ended 30 June		2019		% change
	2020	% of Sales volume (Tonnes)	Sales volume (Tonnes)	% of total sales volume of steel cord	
Steel cords for:					
– truck tyres	<b>56,721</b>	<b>68.0</b>	65,182	66.2	<b>-13.0</b>
– off the road truck tyres	<b>2,542</b>	<b>3.1</b>	3,263	3.3	<b>-22.1</b>
– passenger car tyres	<b>24,142</b>	<b>28.9</b>	30,037	30.5	<b>-19.6</b>
<b>Total for steel cords</b>	<b>83,405</b>	<b>100.0</b>	98,482	100.0	<b>-15.3</b>
Sawing wire products	<b>143</b>		37		<b>+286.5</b>
Other steel wires	<b>4,410</b>		4,605		<b>-4.2</b>
<b>Total</b>	<b>87,958</b>		103,124		<b>-14.7</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

In respect of sales of steel cord by region, the volume of export sales amounted to 16,742 tonnes for the period, decreased by 21.2% as compared to 21,250 tonnes for the same period last year. This is because the World Health Organization in March 2020 declared COVID-19 as a global pandemic which led to different levels of lockdown and quarantine measures around the world and has severely disrupted global economic activities. The volume of export sales represented 20.1% of total sales volume for the period, compared to 21.6% for the same period last year. The breakdown of sales volume of steel cord for the period by geographical location is as follows:

	Six months ended 30 June		2019		% change
	2020	% of Sales volume (Tonnes)	Sales volume (Tonnes)	% of total sales volume of steel cord	
PRC	<b>66,663</b>	<b>79.9</b>	77,232	78.4	<b>-13.7</b>
Export sales:					
Asia (other than PRC)	<b>9,756</b>	<b>11.7</b>	12,485	12.7	<b>-21.9</b>
EMEA (Europe, Middle East and Africa)	<b>4,676</b>	<b>5.6</b>	5,664	5.8	<b>-17.4</b>
North America	<b>1,792</b>	<b>2.2</b>	1,989	2.0	<b>-9.9</b>
South America	<b>518</b>	<b>0.6</b>	1,112	1.1	<b>-53.4</b>
Total export sales	<b>16,742</b>	<b>20.1</b>	21,250	21.6	<b>-21.2</b>
Total	<b>83,405</b>	<b>100.0</b>	98,482	100.0	<b>-15.3</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review

#### Revenue

Revenue for the continuing operations of the Group amounted to HK\$862,997,000 (2019: HK\$1,095,773,000) for the period, decreased by 21.2% over the same period last year. The breakdown of revenue of the Group for the period is as follows:

	Six months ended 30 June 2020		2019		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord/wire products	<b>862,235</b>	<b>99.9</b>	1,094,905	99.9	<b>-21.3</b>
Property rental	<b>762</b>	<b>0.1</b>	868	0.1	<b>-12.2</b>
<b>Total</b>	<b>862,997</b>	<b>100.0</b>	1,095,773	100.0	<b>-21.2</b>

#### Gross profit

Gross profit for the continuing operations of the Group decreased by 16% over the same period last year to HK\$152,758,000 (2019: HK\$181,821,000), mainly because of the abovementioned decrease in revenue of the steel cord segment. However, gross profit margin of the Group increased by 1.1 percentage points to 17.7% for the period as compared to the same period last year primarily due to the drop in raw material prices and our incessant cost cutting measures. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June 2020		2019		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord/wire products	<b>152,046</b>	<b>17.6</b>	180,997	16.5	<b>-16.0</b>
Property rental	<b>712</b>	<b>93.4</b>	824	94.9	<b>-13.6</b>
<b>Total</b>	<b>152,758</b>	<b>17.7</b>	181,821	16.6	<b>-16.0</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### *Distribution and selling expenses*

Distribution and selling expenses for the continuing operations amounted to HK\$41,904,000 (2019: HK\$39,486,000) for the period, increased by 6.1% over the same period last year, mainly due to the 25% tariff on our products imposed by the U.S. since May 2019.

#### *Administrative expenses*

Administrative expenses for the continuing operations amounted to HK\$26,650,000 (2019: HK\$28,388,000) for the period, decreased by 6.1% as compared to the same period last year mainly due to stricter cost control.

#### *Research and development expenses*

Research and development expenses for the continuing operations, were related to steel cord segment, of the Group amounted to HK\$30,068,000 for the period, decreased by 18.4% as compared to HK\$36,854,000 for the same period last year in line with the abated revenue as our tyre customers suspended production and testing of various construction types.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### 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.

There was a decrease in the total number of issued shares of the Company during the period due to cancellation of repurchased shares. The total number of issued shares of the Company was 1,904,516,556 Shares at 30 June 2020 (at 31 December 2019: 1,922,900,556 Shares). Net asset value of the Group was HK\$1,396,219,000 at 30 June 2020, decreased slightly by 1.3% as compared to HK\$1,415,072,000 at 31 December 2019. The decrease in net asset value was mainly due to the depreciation of RMB during the first half of 2020. Net asset value per Share was HK\$0.73 at 30 June 2020, also decreased by 1.4% as compared to HK\$0.74 at 31 December 2019.

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

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$97,951,000 at 30 June 2020, decreased by 3.7% as compared to HK\$101,732,000 at 31 December 2019. Total interest bearing borrowings of the Group (comprised of loan from a related company, bank borrowings and Convertible Bonds) were HK\$664,647,000 at 30 June 2020, decreased by 19.1% as compared to HK\$821,290,000 at 31 December 2019. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore decreased from HK\$719,558,000 at 31 December 2019 to HK\$566,696,000 at 30 June 2020.

#### *Debt and liquidity ratios*

Gearing ratio (calculated as total interest bearing borrowings less bank balances and cash (including pledged bank deposits) divided by Shareholders' equity) of the Group decreased from 50.8% at 31 December 2019 to 40.6% at 30 June 2020. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.16 times at 30 June 2020 as compared to 1.28 times at 31 December 2019. We are committed to improving our liquidity ratios in order to attain a vibrant and yet manageable position to facilitate a sustainable growth of our business.

### Foreign Currency and Interest Rate Exposures

The Group's source of revenue is mainly denominated in EUR, RMB and USD, while those of purchases and payments are mainly denominated in RMB and HKD. During the period under review, the Group managed its exchange rate exposures of EUR and USD denominated assets against RMB by entering into the foreign currency hedging contracts to sell EUR and USD against RMB with aggregate notional amount of EUR8,000,000 and USD10,000,000 respectively. These contracts were fully fixed before 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Foreign Currency and Interest Rate Exposures (continued)

In respect of exposure to interest rate risk, the interest bearing borrowings for the six months ended 30 June 2020 were at fixed rates. Therefore, 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 low interest rate environment will persist 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 the second half of 2020.

### Capital Commitments

At 30 June 2020, the Group had commitments in respect of property, plant and equipment amounted to approximately HK\$138,300,000.

### 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 for a total consideration of RMB81,120,000 (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. The Tengzhou governmental authorities shall assist TESC in the construction project, such as handling relevant procedures for the construction, facilitating in the construction of infrastructure of the project such as water, electricity and roads, and assisting in application of governmental policy support and applicable support funds.

The construction project has commenced to acquire the machineries and construct the factory plant, ancillary facilities and peripheral roads since November 2019. The project is carried out by phases according to the market conditions and the financial capacity of the Company from time to time. The brass wire project as aforementioned is expected to be completed in 2020 and 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Employees, Remuneration Policies and Training Scheme of the Group

At 30 June 2020, the Group had a total of 2,065 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 amount charged to condensed consolidated statement of profit or loss for the period under review amounted to approximately HK\$6,335,000.

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 2002 Scheme was adopted by the Shareholders at the annual general meeting held on 7 June 2002. Under 2002 Scheme, the Board shall, subject to and in accordance with the provisions of 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares in the capital of the Company. 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.

2012 Scheme 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. Unless otherwise cancelled or amended, 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

During the period under review, no options were granted, exercised, cancelled and lapsed.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Contingent Liabilities and Pledge of Assets

The Group had no contingent liabilities at 30 June 2020.

At 30 June 2020, the carrying amounts of assets pledged as security for bills payable and bank borrowings are:

1. Buildings with an aggregate net book value of HK\$184,489,000;
2. Land use rights with an aggregate amount of HK\$58,040,000; and
3. Bank deposit of HK\$30,300,000.

### Business Outlook

The COVID-19 pandemic has caused unprecedented and expansive havoc to the world in recent history let alone the suspension of socio-economic activities. China appeared to be the first country which endeavoured to restart normalcy in late first quarter of 2020. While the PRC domestic market began to show traction in regaining momentum under the watchful measures in containing the spreading of the infection, the Central Government also rolled out a series of fiscal and financial subsidies to help businesses to expedite the recovery process. Our 2020 interim result is able to come in line with that of 2019 despite a discernible drop of sales tonnage is part and partial attributable to such timely assistance. The pandemic not only changes how we look at personal hygiene and our socializing behaviour, it has also caused us to rethink our sales strategy and the way we conduct our business in the future. The second half of the year will be challenging but we, Shougang Century, are inured to challenges and will be vigilant and resourceful to convalesce our financial performance and cashflow in line with that of 2019 by:–

- Continuing the stringent prevention measures to ensure our compliance with the relevant requirements by the local government authorities and our production be uninterrupted. We are pleased with our effort in containing the spreading of COVID-19 in our various plants and offices which recorded no infection to date;
- Ensuring the completion of the 20,000 tonnes brass wire facility within the year to augment our production proficiency. The expansion of a further 100,000 tonnes steel cord capacity within the 14th Five Year Plan remains undeterred but the progress will be subject to the prevailing market condition and our financial wherewithal;
- Revamping our production process with automation where possible to reduce risk of contracting health hazard elements; and
- Expanding our sales effort but prioritizing on the domestic market and developing new export relationships in countries less affected by the pandemic.



## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased an aggregate of 14,594,000 ordinary shares for a total consideration of approximately HK\$3,095,536 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. All the aforesaid repurchased Shares were cancelled. Details of the Shares repurchased are as follows:

Month of repurchase in 2020	Number of Shares repurchased	Consideration per Share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	2,044,000	0.218	0.196	426,918
February	3,486,000	0.240	0.214	793,364
March	600,000	0.207	0.202	122,668
April	5,224,000	0.215	0.199	1,091,632
May	1,340,000	0.210	0.205	279,214
June	1,900,000	0.205	0.199	381,740
<b>Total</b>	<b>14,594,000</b>			<b>3,095,536</b>

Saved as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2020, save for the interests of the Director in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

### Long position in Shares

#### Ordinary Shares

Name of Director	Total number of Shares held	Approximate % of the total number of issued Shares	Capacity in which interests are held
Tang Cornor Kwok Kau ("Mr. Tang")	10,480,000	0.55	Beneficial owner (Note)

Note: Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were jointly owned with his wife.

Save as disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of the Company's associated corporations at 30 June 2020.

## SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2020, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

## SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO (continued)

### Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate% of the total number of issued Shares	Capacity in which interests are held
Richson	148,537,939	7.80	Beneficial owner
Fair Union	686,655,179	36.05	Beneficial owner and interests of controlled corporations <sup>Note (1)</sup>
Casula	402,395,304	21.13	Beneficial owner
Able Legend	126,984,000	6.67	Beneficial owner
Shougang HK	906,719,179	47.61	Beneficial owner and interests of controlled corporations <sup>Note (2)</sup>
Jingxi Holdings	454,545,454	23.87	Beneficial owner <sup>Note (3)</sup>
Shougang Fund	454,545,454	23.87	Interests of controlled corporations <sup>Note (4)</sup>
Shougang Group	1,361,264,633	71.48	Interests of controlled corporations <sup>Note (5)</sup>
Bekaert Combustion	250,000,000	13.13	Beneficial owner <sup>Note (6)</sup>
Bekaert	250,000,000	13.13	Interests of controlled corporations <sup>Note (7)</sup>
Li Ka Shing Foundation	100,000,000	5.25	Beneficial owner <sup>Note (8)</sup>

#### Notes:

- (1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.
- (2) Shougang HK is beneficially interested in 6,456,000 Shares and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,254,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 12,370,000 Shares held by Lyre Terrace Management Limited ("Lyre Terrace"), a subsidiary of Shougang Grand as Shougang HK is the holding company of Shougang Grand. By virtue of the SFO, it is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Fair Union is a wholly owned subsidiary of Shougang HK and Richson and Casula are wholly owned subsidiaries of Fair Union.

## SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO (continued)

### Long position in Shares or underlying Shares (continued)

Notes: (continued)

- (3) The Shares held by Jingxi Holdings represent 454,545,454 underlying Shares to be allotted and issued upon the exercise of Conversion Rights attaching to the Convertible Bonds (i.e. the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of up to HK\$150,000,000 due 2022 (extendable to 2024) to be issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement).
- (4) As mentioned under Note (3) above, by virtue of the SFO, Shougang Fund is deemed to be interested in 454,545,454 underlying Shares held by Jingxi Holdings, which is a wholly owned subsidiary of Shougang Fund.
- (5) Shougang Group is the ultimate holding company of Shougang HK, it is deemed to be interested in the 6,456,000 Shares held by Shougang HK and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,254,000 Shares held by Able Legend and Prime Success respectively as Able Legend and Prime Success are Shougang HK's wholly owned subsidiaries and Shougang Group is deemed to be interested in the 12,370,000 Shares held by Lyre Terrace, a subsidiary of Shougang Grand as Shougang Group is the ultimate holding company of Shougang Grand. By virtue of the SFO, Shougang Group is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Fair Union is a wholly owned subsidiary of Shougang HK and Richson and Casula are wholly owned subsidiaries of Fair Union. As mentioned under Notes (3) and (4) above, and by virtue of the SFO, Shougang Group is also deemed to be interested in the 454,545,454 underlying Shares held by Jingxi Holdings, a wholly owned subsidiary of Shougang Fund, which is a wholly owned subsidiary of Shougang Group.
- (6) Bekaert Combustion is beneficially interested in 250,000,000 Shares.
- (7) By virtue of the SFO, Bekaert is deemed to be interested in 250,000,000 Shares held by Bekaert Combustion, which is a wholly owned subsidiary of Bekaert.
- (8) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.

## SHARE OPTION SCHEME

2002 Scheme was adopted by the Shareholders at the annual general meeting held on 7 June 2002. Under 2002 Scheme, the Board shall, subject to and in accordance with the provisions of 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares in the capital of the Company. 2012 Scheme was adopted and 2002 Scheme was terminated by the Shareholders at the annual general meeting held on 25 May 2012.

2012 Scheme 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. Unless otherwise cancelled or amended, 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

### 2012 Scheme

No share options were granted, exercised, cancelled or lapsed under 2012 Scheme during the period.

The Board considers that it is not appropriate to state the value of all share options that can be granted under 2012 Scheme on the assumption that they had been granted at the date of this report. The Board believes that any statement regarding the value of the share options as at the date of the report will be based on a large number of speculative assumptions and would therefore not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the share options which have not been determined. Such variables include the exercise price, the option period, any lock-up period, any performance targets that may be set and other relevant variables.

## DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information on Director is as follows:

**Mr. Lam Yiu Kin**, being the independent non-executive director of Global Digital Creations Holdings Limited (“Global Digital”), was appointed as the chairman of the audit committee of Global Digital with effect from 22 May 2020.

## 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 six months ended 30 June 2020, except for deviations from code provisions A.2.1 and D.1.4 of the Code as below:

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

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

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

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

## **CORPORATE GOVERNANCE CODE (continued)**

### **Risk Management and Internal Control Systems**

The Company has engaged Moore Advisory Services Limited (formerly known as “Moore Stephens Advisory Services Limited”) as the internal auditor of the Company since 2015 in relation to the provision of internal audit services to the Company.

### **Model Code for securities transactions by Directors**

The Company has approved and adopted the SCCHL Code on terms no less exacting than Model Code.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and SCCHL Code during the period under review.

### **Audit Committee**

The Company’s audit committee comprises of three independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Lam Yiu Kin and Mr. Feng Yaoling. Mr. Yip Kin Man, Raymond acts as the chairman of the audit committee. The audit committee was established with specific written terms of reference with the task including but not limited to monitoring the financial reporting procedures, reviewing internal control and risk management systems of the Group and monitoring the independence of the external auditor. The Company has engaged the external auditor to assist the audit committee to review the Group’s unaudited condensed consolidated financial information for the six months ended 30 June 2020. During the meetings of the audit committee for the period under review, the audit committee members, amongst other things, had reviewed the accounting principles and practices adopted by the Group; discussed the financial information matters related to the preparation of the unaudited condensed consolidated financial information for the six months ended 30 June 2020.

In summary, the audit committee has reviewed the unaudited interim results for the six months ended 30 June 2020. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## APPRECIATION

On behalf of the Board, I would like to express my heartfelt thanks of the continued support and confidence from our customers, suppliers and Shareholders. I would also like to take this opportunity to express sincere gratitude to all the fellow Directors and Board members for their diligence, valuable contribution and the management and colleagues for their unwavering commitment, dedication and continued hard work to the Group throughout the period under review.

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

Hong Kong, 17 August 2020

This interim report can also be accessed through the internet at the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.shougangcentury.com.hk> or <http://www.irasia.com/listco/hk/sccentury/>.



## DEFINITIONS

In this report, unless the context otherwise requires, the following terms 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
“Able Legend”	Able Legend Investments Limited, a subsidiary of Shougang HK
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the SFO)
“Bekaert Combustion”	Bekaert Combustion Technology B.V., a wholly owned subsidiary of Bekaert, a substantial Shareholder (as defined under the SFO)
“Board”	the board of Directors
“Casula”	Casula Investments Limited, a subsidiary of Shougang HK
“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
“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
“Conversion Rights”	the rights to convert the Convertible Bonds into 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

## DEFINITIONS (continued)

“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang HK
“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
“Li Ka Shing Foundation”	Li Ka Shing Foundation Limited, a “charitable body” within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial Shareholder (as defined under the SFO)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
“Richson”	Richson Limited, a subsidiary of Shougang HK
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Code”	Model Code for Securities Transactions by Directors and Specified Individuals of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter

## DEFINITIONS (continued)

“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Shougang Grand”	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Shougang Group”	Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission, established in the PRC), a substantial Shareholder (as defined under the SFO)
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial Shareholder (as defined under the SFO)
“Stock Exchange/HKEx”	The Stock Exchange of Hong Kong Limited
“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
“U.S.”	The United States of America
“USD”	United States dollars, the lawful currency of the U.S.
“%”	per cent