



# SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code: 103



## 2021 *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 (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.

The Group is primarily involved in the following activities:

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

## CORPORATE GOALS

- create an influential “Eastern” brand recognition in steel cord industry based on the principles of integrity, pragmatism and efficiency
- gradually become an enterprise commanding an annual manufacturing capacity in excess of 300,000 tonnes of high-quality steel cords
- become one of the three major manufacturers of steel cord industry in China

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

## CORPORATE INFORMATION

As at 25 August 2021

### Board of Directors

#### Executive Directors

Su Fanrong (*Chairman and Managing Director*)  
Ye Qian  
Li Jinping

#### Non-executive Director

Adam Touhig

#### 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

Su Fanrong  
Cheung Wa Ying

### Company Secretary

Cheung Wa Ying

## **CORPORATE INFORMATION (continued)**

As at 25 August 2021

<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 The Bank of East Asia, Limited
<b>Auditor</b>	PricewaterhouseCoopers <i>Certified Public Accountants and Registered PIE 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		
	2021 (Unaudited)	2020 (Unaudited)	Change
<b>Operations</b>			
Revenue from continuing operations (HK\$'000)	<b>1,283,336</b>	862,997	<b>+48.7%</b>
Gross profit from continuing operations (HK\$'000)	<b>226,886</b>	152,758	<b>+48.5%</b>
Gross profit margin from continuing operations	<b>17.7%</b>	17.7%	<b>N/A</b>
Profit for the period (HK\$'000)	<b>52,256</b>	35,863	<b>+45.7%</b>
Basic earnings per Share (HK cents)	<b>2.75</b>	1.87	<b>+47.1%</b>
	<b>As at 30 June 2021 (Unaudited)</b>	As at 31 December 2020 (Audited)	<b>Change</b>
<b>Financial position</b>			
Net assets (HK\$'000)	<b>1,719,423</b>	1,645,571	<b>+4.5%</b>
Gearing ratio (Note)	<b>28.7%</b>	29.4%	<b>-0.7pp</b>

Note:

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

## INFORMATION FOR INVESTORS

### Share Information

Board lot size:	2,000 Shares
Shares issued as at 30 June 2021:	1,898,652,556 Shares
Market capitalisation as at 30 June 2021:	HK\$503,142,927
Closing Share price as at 30 June 2021:	HK\$0.265
Basic earnings per Share for the six months ended 30 June 2021:	HK2.75 cents

### Key Date

Announcement of 2021 Interim Results:	25 August 2021
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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)



### **Shougang Concord Century (Shanghai) Management Co., Ltd.**

Address: Room 2505, Tower 1, SOHO Tianshan Plaza,  
No. 421 Ziyun Road, Changning District, 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 45, which comprises the condensed consolidated statement of financial position of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the 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, 25 August 2021

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>			
Revenue	6	<b>1,283,336</b>	862,997
Cost of sales	8	<b>(1,056,450)</b>	(710,239)
Gross profit		<b>226,886</b>	152,758
Other income	6	<b>1,232</b>	2,454
Other losses, net	7	<b>(16,882)</b>	(7,981)
Distribution and selling expenses	8	<b>(61,986)</b>	(41,904)
Administrative expenses	8	<b>(29,149)</b>	(26,650)
Research and development expenses	8	<b>(47,044)</b>	(30,068)
Foreign exchange (losses)/gains, net		<b>(8,668)</b>	5,183
Changes in fair values of investment properties	13(a)	<b>(450)</b>	(1,503)
Reversal of net impairment losses on financial assets	14(c)	<b>2,994</b>	2,507
Finance costs, net	9	<b>(7,140)</b>	(17,690)
Profit before income tax		<b>59,793</b>	37,106
Income tax expense	10	<b>(7,537)</b>	(1,101)
Profit from continuing operations		<b>52,256</b>	36,005
<b>Discontinued operation</b>			
Loss from discontinued operation	20	–	(142)
Profit for the period		<b>52,256</b>	35,863
		<b>HK cents</b>	HK cents
Earnings per share for profit from continuing operations attributable to the owners of the Company			
– Basic	11	<b>2.75</b>	1.88
– Diluted	11	<b>2.63</b>	1.88
Earnings per share for profit for the period attributable to the owners of the Company			
– Basic	11	<b>2.75</b>	1.87
– Diluted	11	<b>2.63</b>	1.87

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Profit for the period		<b>52,256</b>	35,863
<b>Other comprehensive income/(loss) arising from continuing operations</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		<b>19,834</b>	(32,804)
Revaluation of leasehold land and buildings	13(b)	<b>1,644</b>	1,281
Recognition of deferred income tax liability on revaluation of leasehold land and buildings		<b>(261)</b>	(261)
		<b>21,217</b>	(31,784)
<b>Other comprehensive income/(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>483</b>	(772)
Total comprehensive income for the period, net of tax		<b>73,956</b>	3,307
Total comprehensive income/(loss) for the period arises from:			
– Continuing operations		<b>73,473</b>	4,221
– Discontinued operation	20	<b>483</b>	(914)
		<b>73,956</b>	3,307

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	13(a)	53,787	53,874
Property, plant and equipment	13(b)	1,271,922	1,178,174
Right-of-use assets		3,539	384
Land use rights		145,722	146,047
Intangible assets		–	–
Prepayments for the acquisition of property, plant and equipment		46,703	33,951
<b>Total non-current assets</b>		<b>1,521,673</b>	<b>1,412,430</b>
<b>Current assets</b>			
Inventories		374,794	246,638
Trade receivables	14	726,094	638,916
Bills receivable	14	836,506	871,869
Prepayments, deposits and other receivables		48,002	24,484
Current income tax recoverables		1,866	–
Pledged bank deposits		103,545	84,308
Bank balances and cash		127,236	93,262
<b>Total current assets</b>		<b>2,218,043</b>	<b>1,959,477</b>
<b>Total assets</b>		<b>3,739,716</b>	<b>3,371,907</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		271	259
Loan from a related company	17	24,036	–
Lease liabilities		2,359	–
Deferred income tax liabilities		20,959	20,339
<b>Total non-current liabilities</b>		<b>47,625</b>	<b>20,598</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2021

	Notes	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	15	940,401	761,321
Other payables and accruals	16	329,033	278,577
Current income tax liabilities		1,528	4,494
Bank borrowings	18	523,536	492,460
Lease liabilities		1,195	404
Financial liability at fair value through profit or loss	19	176,975	168,482
<b>Total current liabilities</b>		<b>1,972,668</b>	1,705,738
<b>Total liabilities</b>		<b>2,020,293</b>	1,726,336
<b>EQUITY</b>			
Share capital	21	1,191,798	1,191,798
Reserves		527,625	453,773
<b>Total equity</b>		<b>1,719,423</b>	1,645,571
<b>Total equity and liabilities</b>		<b>3,739,716</b>	3,371,907

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	(Unaudited)						Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 <i>(Note i)</i>	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC reserve funds HK\$'000 <i>(Note ii)</i>	Accumulated losses HK\$'000	
<b>For the six months ended 30 June 2021</b>							
At 1 January 2021	1,191,798	23,990	147,738	314,055	82,047	(114,057)	1,645,571
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	52,256	52,256
<b>Other comprehensive income/(loss)</b>							
Exchange differences arising on translation into presentation currency	-	-	-	20,317	-	-	20,317
Revaluation of leasehold land and buildings <i>(Note 13(b))</i>	-	-	1,644	-	-	-	1,644
Recognition of deferred income tax liability on revaluation of leasehold land and buildings	-	-	(261)	-	-	-	(261)
Total comprehensive income for the period	-	-	1,383	20,317	-	52,256	73,956
<b>Transaction with owners in their capacity as owners</b>							
Buy-back of ordinary shares	-	-	-	-	-	(104)	(104)
Transfer to PRC reserve funds	-	-	-	-	8,403	(8,403)	-
At 30 June 2021	1,191,798	23,990	149,121	334,372	90,450	(70,308)	1,719,423

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

For the six months ended 30 June 2021

	(Unaudited)						
	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	Total 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 revaluation of leasehold land and buildings	-	-	(261)	-	-	-	(261)
Total comprehensive income/(loss) for the period	-	-	1,020	(33,576)	-	35,863	3,307
<b>Transaction with owners in their capacity as owners</b>							
Buy-back of ordinary shares	-	-	-	-	-	(3,096)	(3,096)
Transfer to PRC reserve funds	-	-	-	-	5,491	(5,491)	-
Dividend	-	-	-	-	-	(19,064)	(19,064)
At 30 June 2020	1,191,798	23,990	150,480	173,239	82,047	(225,335)	1,396,219

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 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
<b>Continuing operations</b>		
Cash generated from operations	140,749	204,898
PRC corporate income tax paid, net	(12,224)	(1,314)
Net cash generated from operating activities from continuing operations	128,525	203,584
Net cash used in operating activities from discontinued operation	(15)	(169)
<b>Net cash generated from operating activities</b>	128,510	203,415
<b>Cash flows from investing activities</b>		
Placement of pledged bank deposits	(103,545)	(30,300)
Purchase of property, plant and equipment	(84,751)	(16,885)
Prepayments for the acquisition of property, plant and equipment	(29,366)	(1,992)
Withdrawal of pledged bank deposits	85,277	52,879
Proceeds from disposals of property, plant and equipment	865	537
Interest received	653	407
Net cash (used in)/generated from investing activities from continuing operations	(130,867)	4,646
Net cash generated from investing activities from discontinued operation	–	1
<b>Net cash (used in)/generated from investing activities</b>	(130,867)	4,647

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Cash flows from financing activities</b>		
Repayment of bank borrowings	(255,973)	(144,720)
Repayment of loan from a related company	–	(50,000)
Interest paid	(9,105)	(19,307)
Loan transaction costs paid	(1,254)	–
Payments for principal elements of lease liabilities	(597)	(578)
Proceeds from bank borrowings	264,286	107,110
Proceeds from loan from a related company	24,036	–
Proceeds from discounted bills	112,354	162,946
Repayments of discounted bills	(95,366)	(217,596)
Settlement of convertible bonds	(3,000)	(3,000)
Share repurchase	(104)	(3,096)
Dividend paid	–	(19,064)
Net cash generated from/(used in) financing activities from continuing operations	35,277	(187,305)
Net cash used in financing activities from discontinued operation	–	(18)
<b>Net cash generated from/(used in) financing activities</b>	<b>35,277</b>	<b>(187,323)</b>
Net increase in cash and cash equivalents	32,920	20,739
Cash and cash equivalents at 1 January	93,262	47,811
Exchange gains/(losses) on cash and cash equivalents	1,054	(899)
<b>Cash and cash equivalents at 30 June</b>	<b>127,236</b>	<b>67,651</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

### 1. GENERAL INFORMATION

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

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

The Company’s shares were listed on the Main Board of The Stock Exchange 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 2021 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 2020, 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:

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform  
(Phase 2)

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

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

For the six months ended 30 June 2021

### 3. ACCOUNTING POLICIES (continued)

#### 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 2021 and have not been early adopted by the Group:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to Hong Kong Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2021

### 4. FAIR VALUE ESTIMATION

The table below analyses the Group's financial instrument carried at fair value as at 30 June 2021 and 31 December 2020 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 2021 and 31 December 2020:

	(Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 30 June 2021</b>				
Financial liability at fair value through profit or loss				
– Convertible bonds	–	–	176,975	176,975

	(Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>As at 31 December 2020</b>				
Financial liability at fair value through profit or loss				
– Convertible bonds	–	–	168,482	168,482

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

For the six months ended 30 June 2021

### 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 2021 and 2020:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Financial liability at fair value through profit or loss – Convertible bonds</b>		
At beginning of the period	<b>168,482</b>	152,944
Settlement	<b>(3,000)</b>	(3,000)
Fair value loss recognised in profit or loss (Note 7)	<b>11,493</b>	6,510
At end of the period	<b>176,975</b>	156,454

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 an independent and professionally qualified valuer 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 2021

### 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):

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

The key unobservable inputs used in the valuation of the convertible bonds (Note 19) as at 30 June 2021 and 31 December 2020 are:

Valuation techniques	Unobservable inputs	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Black-Scholes model with Trinomial Tree method	Dividend yield	5.66%	4.50%
	Volatility	46.03%	46.10%

If the dividend yield increased by 1%, the impact on profit would be HK\$1,003,000 (31 December 2020: HK\$973,000) higher. The higher the dividend yield, the lower the fair value.

If the volatility increased by 5%, the impact on profit would be HK\$3,575,000 (31 December 2020: HK\$3,235,000) 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 business.

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 2021

### 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 2021

	<b>Steel cord (Unaudited) HK\$'000</b>
Sales of goods:	
Segment revenue from external customers	<b>1,282,582</b>
Segment results	<b>88,942</b>
Unallocated amounts	
Rental income	754
Other income	135
Other losses, net and foreign exchange losses, net	<b>(11,493)</b>
Changes in fair values of investment properties	<b>(450)</b>
Expenses	<b>(10,955)</b>
Finance costs, net	<b>(7,140)</b>
Profit before income tax	<b>59,793</b>
Income tax expense	<b>(7,537)</b>
Profit from continuing operations	<b>52,256</b>
Loss from discontinued operation	–
Profit for the period	<b>52,256</b>



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

For the six months ended 30 June 2021

### 5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2020

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

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

For the six months ended 30 June 2021

### 6. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>		
<b>Revenue</b>		
Sales of goods – Manufacturing of steel cords	1,282,582	862,235
Rental income	754	762
	<b>1,283,336</b>	<b>862,997</b>
<b>Other income</b>		
Government grants (Note)	514	814
Sales of scrap materials	509	1,476
Others	209	164
	<b>1,232</b>	<b>2,454</b>

Note:

Government grants mainly represented financial supports for business development by the local governments in the PRC (2020: refund of social security contributions by the local governments in the PRC and approved subsidies from Employment Support Scheme under the Anti-epidemic Fund of the Hong Kong Government).

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

For the six months ended 30 June 2021

### 7. OTHER LOSSES, NET

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Net fair value losses on derivatives held for trading	–	(706)
Fair value loss on a financial liability at fair value through profit or loss	<b>(11,493)</b>	(6,510)
Losses on disposals of property, plant and equipment, net	<b>(689)</b>	(130)
Impairment losses on property, plant and equipment (Note 13(b))	<b>(4,697)</b>	–
Others	<b>(3)</b>	(635)
	<b>(16,882)</b>	(7,981)

### 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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Cost of inventories sold (including net reversal of provision for inventories)	<b>1,050,151</b>	704,505
Employee benefit expense (including directors' emoluments)	<b>139,534</b>	94,893
Depreciation of property, plant and equipment	<b>51,446</b>	42,116
Depreciation of right-of-use assets	<b>592</b>	576
Amortisation of land use rights	<b>1,999</b>	1,267
Auditor's remuneration		
– Audit services	<b>728</b>	728
– Non-audit services	<b>398</b>	428

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

For the six months ended 30 June 2021

**9. FINANCE COSTS, NET**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>		
<b>Finance income</b>		
Interest income on bank deposits	653	407
Foreign exchange gains on borrowings and financial liability at fair value through profit or loss	4,715	–
	<b>5,368</b>	407
<b>Finance costs</b>		
Interest expenses on bank borrowings	<b>(11,118)</b>	(12,486)
Interest expenses on loan from a related company	<b>(100)</b>	(670)
Interest expenses on lease liabilities	<b>(36)</b>	(35)
Loan transaction costs	<b>(1,254)</b>	–
Amortisation of loan transaction costs	–	(796)
Foreign exchange losses on borrowings and financial liability at fair value through profit or loss	–	(4,110)
	<b>(12,508)</b>	(18,097)
<b>Finance costs, net</b>	<b>(7,140)</b>	(17,690)

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

For the six months ended 30 June 2021

### 10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current income tax:		
– China corporate income tax	7,317	4,853
Overprovision in prior periods	–	(3,772)
Total current income tax	7,317	1,081
Deferred income tax	220	20
Income tax expense	7,537	1,101
Income tax expense is attributable to:		
– Continuing operations	7,537	1,101
– Discontinued operation ( <i>Note 20</i> )	–	–
	7,537	1,101

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 2021 and 2020 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, the applicable CIT tax rate is 15%. The applicable CIT tax rate for Jiaxing Eastern Steel Cord Co., Ltd ("JESC") and Tengzhou Eastern Steel Cord Co., Ltd ("TESC") was 15% for the six months ended 30 June 2021 and 2020.

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

For the six months ended 30 June 2021

### 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>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) attributable to the owners of the Company used in calculating basic earnings per share:		
– Continuing operations (HK\$'000)	<b>52,256</b>	36,005
– Discontinued operation (HK\$'000)	–	(142)
	<b>52,256</b>	35,863
Weighted average number of ordinary shares in issue (shares)	<b>1,898,853,970</b>	1,915,102,270
From continuing operations attributable to the owners of the Company (HK cents)	<b>2.75</b>	1.88
From discontinued operation (HK cents)	–	(0.01)
Basic earnings per share attributable to the owners of the Company (HK cents)	<b>2.75</b>	1.87

#### (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 (2020: same) of potentially dilutive ordinary shares: convertible bonds (*Note 19*) (2020: same). For the convertible bonds, calculations are done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding convertible bonds.

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

For the six months ended 30 June 2021

### 11. EARNINGS PER SHARE (continued)

#### (b) Diluted (continued)

For the six months ended 30 June 2021, convertible bonds issued are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic earnings per share.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit/(loss) attributable to the owners of the Company used in calculating basic earnings per share:		
– Continuing operations (HK\$'000)	<b>52,256</b>	36,005
– Discontinued operation (HK\$'000)	–	(142)
	<b>52,256</b>	35,863
Profit adjustment for convertible bonds (HK\$'000)	<b>9,528</b>	–
	<b>61,784</b>	35,863
Weighted average number of ordinary shares in issue (shares)	<b>1,898,853,970</b>	1,915,102,270
Adjustment for convertible bonds (shares)	<b>454,545,454</b>	–
Weighted average number of ordinary shares for diluted earnings per share (shares)	<b>2,353,399,424</b>	1,915,102,270
From continuing operations attributable to the owners of the Company (HK cents)	<b>2.63</b>	1.88
From discontinued operation (HK cents)	–	(0.01)
Diluted earnings per share attributable to the owners of the Company (HK cents)	<b>2.63</b>	1.87

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

For the six months ended 30 June 2021

### 12. DIVIDENDS

At a board meeting held on 22 March 2021, the directors of the Company recommended the payment of a final dividend of HK1.5 cents per fully paid ordinary share, totalling approximately HK\$28,480,000 for the year ended 31 December 2020, which was paid in July 2021.

No interim dividend has paid or proposed for the six months ended 30 June 2021 and 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:

	<b>Leasehold land and buildings</b> (Unaudited) HK\$'000
At 1 January 2020	54,093
Changes in fair values recognised in profit or loss	(1,503)
Exchange differences	(567)
	<hr/>
At 30 June 2020	52,023
	<hr/>
At 1 January 2021	<b>53,874</b>
Changes in fair values recognised in profit or loss	<b>(450)</b>
Exchange differences	<b>363</b>
	<hr/>
At 30 June 2021	<b>53,787</b>
	<hr/>



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

For the six months ended 30 June 2021

### 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 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/>
At 1 January 2021	<b>1,178,174</b>
Additions	<b>134,250</b>
Disposals	<b>(1,553)</b>
Depreciation	<b>(51,446)</b>
Revaluation	<b>1,644</b>
Impairment loss (Note 7)	<b>(4,697)</b>
Exchange differences	<b>15,550</b>
	<hr/>
At 30 June 2021	<b>1,271,922</b>
	<hr/>

As at 30 June 2021, buildings located in the PRC amounting to approximately HK\$193,912,000 (31 December 2020: HK\$197,935,000) and plant and machinery amounting to HK\$26,199,000 (31 December 2020: Nil) are pledged to secure bank borrowings and loan from a related company respectively.

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

For the six months ended 30 June 2021

### 14. TRADE RECEIVABLES AND BILLS RECEIVABLE

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Trade receivables (Note (a))	752,429	667,874
Less: provision for impairment losses on trade receivables (Note (c))	<b>(26,335)</b>	(28,958)
	<b>726,094</b>	638,916
Bills receivable (Note (b))	<b>836,506</b>	871,869
	<b>1,562,600</b>	1,510,785

#### (a) Trade receivables

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Up to 90 days	528,003	482,983
91 to 180 days	188,256	129,328
Over 180 days	36,170	55,563
	<b>752,429</b>	667,874

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

For the six months ended 30 June 2021

### 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:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Up to 90 days	<b>91,046</b>	142,861
91 to 180 days	<b>328,182</b>	374,399
Over 180 days	<b>417,278</b>	354,609
	<b>836,506</b>	871,869

As at 30 June 2021, the Group's bills receivable mature within one year (31 December 2020: same).

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

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

	<b>Six months ended 30 June</b>	
	<b>2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
At beginning of the period	<b>28,958</b>	21,374
Reversal of net impairment losses on trade receivables for the period		
– Continuing operations	<b>(2,994)</b>	(2,507)
– Discontinued operation (Note 20)	–	(67)
Exchange differences	<b>371</b>	(415)
At end of the period	<b>26,335</b>	18,385

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

For the six months ended 30 June 2021

### 15. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Trade payables (Note (a))	<b>727,568</b>	598,401
Bills payable (Note (b))	<b>212,833</b>	162,920
	<b>940,401</b>	761,321

#### (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 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Up to 30 days	<b>119,175</b>	350,820
31 to 90 days	<b>283,791</b>	93,568
91 to 180 days	<b>193,827</b>	113,003
181 to 365 days	<b>129,369</b>	35,646
Over 365 days	<b>1,406</b>	5,364
	<b>727,568</b>	598,401

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

For the six months ended 30 June 2021

### 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 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Up to 30 days	<b>16,457</b>	23,763
31 to 90 days	<b>95,304</b>	46,516
91 to 180 days	<b>101,072</b>	92,641
	<b>212,833</b>	162,920

### 16. OTHER PAYABLES AND ACCRUALS

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Contract liabilities	<b>1,691</b>	2,156
Accrued wages and salaries	<b>15,006</b>	23,448
Other tax payables	<b>6,397</b>	10,370
Other accruals	<b>14,720</b>	4,239
Other payables (including payables for property, plant and equipment)	<b>291,219</b>	238,364
	<b>329,033</b>	278,577

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

For the six months ended 30 June 2021

### 17. LOAN FROM A RELATED COMPANY

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Loan from South China International Leasing Co., Ltd. ("South China Leasing") (Note)	<b>24,036</b>	–

Note:

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

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

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

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

For the six months ended 30 June 2021

### 18. BANK BORROWINGS

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Bank loans	<b>439,613</b>	426,321
Discounted bills with recourse	<b>83,923</b>	66,139
	<b>523,536</b>	492,460
Current portion	<b>523,536</b>	492,460
Secured	<b>143,435</b>	140,321
Unsecured	<b>380,101</b>	352,139
	<b>523,536</b>	492,460

The Group's bank borrowings were repayable as follows:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
Within 1 year	<b>523,536</b>	492,460

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

As at 30 June 2021, the carrying amount of fixed rate bank loans is approximately HK\$523,536,000 (31 December 2020: HK\$492,460,000).

The discounted bills with recourse carry fixed rate.

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

For the six months ended 30 June 2021

### 18. BANK BORROWINGS (continued)

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 2021 (Unaudited)</b>	As at 31 December 2020 (Audited)
Effective interest rate per annum:		
Fixed rate borrowings	<b>0.65% to 5.66%</b>	1.05% to 5.00%

### 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 (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 2021 and 31 December 2020 were valued by an 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 2021

### 20. DISCONTINUED OPERATION

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC. Relevant entity was still in the process of liquidation as of 30 June 2021. 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 Sales and Discontinued Operations" issued by the HKICPA. The financial performance presented is for the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Expenses	–	(209)
Reversal of net impairment losses on financial assets <i>(Note 14(c))</i>	–	67
Loss before income tax	–	(142)
Income tax expense <i>(Note 10)</i>	–	–
Loss from discontinued operation	–	(142)
Other comprehensive income/(loss) Exchange differences arising on translation into presentation currency	<b>483</b>	(772)
Total comprehensive income/(loss) from discontinued operation	<b>483</b>	(914)
Net cash used in operating activities	<b>(15)</b>	(169)
Net cash generated from investing activities	–	1
Net cash used in financing activities	–	(18)
Net decrease in cash and cash equivalents	<b>(15)</b>	(186)

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

For the six months ended 30 June 2021

### 21. SHARE CAPITAL

	<b>Number of shares</b>	HK\$'000
	In thousand	
Issued and fully paid:		
At 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>
At 1 January 2021	<b>1,899,025</b>	<b>1,191,798</b>
Cancellation of shares ( <i>Note</i> )	<b>(372)</b>	–
<b>At 30 June 2021</b>	<b>1,898,653</b>	<b>1,191,798</b>

*Note:*

During the six months ended 30 June 2021, the Company repurchased 372,000 ordinary shares in the market in order to achieve an increase in the condensed consolidated net asset value per share and/or earnings per share. All of the repurchased shares were cancelled during the six months ended 30 June 2021. The total amount paid for the share repurchase was approximately HK\$104,000 and was charged to retained earnings within shareholders' equity.

During the six months ended 30 June 2020, the Company repurchased 14,594,000 ordinary shares in the market in order to achieve an increase in the condensed consolidated net asset value per share and/or earnings per share. Together with the shares repurchased during the year ended 31 December 2019, a total of 18,384,000 shares were cancelled during the six months ended 30 June 2020. The total amount paid for the share repurchase was approximately HK\$3,096,000 and was charged to retained earnings within shareholders' equity.

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

For the six months ended 30 June 2021

### 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 were outstanding under the 2012 Scheme during the six months ended 30 June 2021 and 2020.

### 23. CAPITAL COMMITMENTS

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	<b>As at 31 December 2020 (Audited) HK\$'000</b>
Commitments in respect of the acquisition of property, plant and equipment – contracted for at the end of reporting period but not recognised as liabilities	<b>194,134</b>	223,163

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

For the six months ended 30 June 2021

### 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.

Apart from the transactions with Shougang Group, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

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

##### (a) Transactions with Shougang Group

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Consultancy fees paid and payable	1,380	1,380
Interest expenses on loan	100	670
Loan transaction costs	181	–
Proceeds from loan	24,036	–
Repayment of loan	–	50,000
Settlement of convertible bonds	3,000	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 2021

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

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

##### (a) Transaction with a shareholder

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Continuing operations</b>		
Royalty expenses	319	–

##### (b) 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:

	Six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Director fees	–	–
Salaries and other benefits	1,336	2,513
Retirement benefit scheme contributions	9	18
	<b>1,345</b>	<b>2,531</b>

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 2021

### **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 2020 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 2020 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 wires and hose wires. For the six months ended 30 June 2021, the Group recorded revenue from the continuing operations of approximately HK\$1,283,336,000 (2020: HK\$862,997,000), representing an increase of approximately 48.7% as compared with the last corresponding period. Meanwhile, the gross profit from the continuing operations increased by approximately 48.5% to HK\$226,886,000 (2020: HK\$152,758,000). Therefore, the Group's net profit for the period increased by approximately 45.7% from same period last year of HK\$35,863,000 to HK\$52,256,000. During the period under review, the Group also generated positive cash inflow from operating activities and maintained a sustained healthy financial position.

### Business Review

In the first half of 2021, with the pandemic outbreak generally being controlled in China, industries are gradually recovering. The PRC's gross domestic product in the second quarter of 2021 has increased by approximately 7.9% as compared with the corresponding period last year, achieving an overall stable development. In addition, industries such as transportation also saw a general trend of recovery and growth. Driven by the robust demand on domestic transportation, tyres witnessed a rigid demand, significantly fueling sales of steel cords.

Owing to the effort of management, sales team and employees of the Group, the steel cord segment sold 105,947 tonnes of steel cords during the period, increased by approximately 27.0% as compared to 83,405 tonnes in the same period last year. In respect of the sales of sawing wire products, the sales volume increased substantially by approximately 76.2% from 143 tonnes to 252 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 approximately 3.4% increase in the sales volume of other steel wires from 4,410 tonnes to 4,560 tonnes for the last corresponding period. The sales volume of this segment for the period is analysed as follows:

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

	2021		2020		% change
	Sales volume (Tonnes)	% of total sales volume of steel cord	Sales volume (Tonnes)	% of total sales volume of steel cord	
Steel cords for:					
– truck tyres	<b>73,833</b>	<b>69.7</b>	56,721	68.0	<b>+30.2</b>
– off the road truck tyres	<b>3,318</b>	<b>3.1</b>	2,542	3.1	<b>+30.5</b>
– passenger car tyres	<b>28,796</b>	<b>27.2</b>	24,142	28.9	<b>+19.3</b>
Total for steel cords	<b>105,947</b>	<b>100.0</b>	83,405	100.0	<b>+27.0</b>
Sawing wire products	<b>252</b>		143		<b>+76.2</b>
Other steel wires	<b>4,560</b>		4,410		<b>+3.4</b>
Total	<b>110,759</b>		87,958		<b>+25.9</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review

#### Revenue

Revenue from the continuing operations of the Group amounted to approximately HK\$1,283,336,000 (2020: HK\$862,997,000) for the period, increased by approximately 48.7% over the same period last year. The breakdown of revenue of the Group for the period is as follows:

	2021		2020		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord/wire products	1,282,582	99.9	862,235	99.9	+48.8
Property rental	754	0.1	762	0.1	-1.0
<b>Total</b>	<b>1,283,336</b>	<b>100.0</b>	<b>862,997</b>	<b>100.0</b>	<b>+48.7</b>

#### Gross profit

The gross profit from the continuing operations of the Group increased by approximately 48.5% over the same period last year to HK\$226,886,000 (2020: HK\$152,758,000), mainly because of the abovementioned increase in revenue of the steel cord segment. Despite of the rise in the cost of raw material, direct labour cost and other production costs, management, sales team and production team of the Group made great effort on grasping every opportunity in the markets, the gross profit margin of the Group for the period maintained at 17.7%. The breakdown of gross profit of the Group for the period is as follows:

	2021		2020		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord/wire products	226,175	17.6	152,046	17.6	+48.8
Property rental	711	94.3	712	93.4	-0.1
<b>Total</b>	<b>226,886</b>	<b>17.7</b>	<b>152,758</b>	<b>17.7</b>	<b>+48.5</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### *Other losses, net*

Other losses, net from the continuing operations of the Group increased by HK\$8,901,000 from HK\$7,981,000 for the six months ended 30 June 2020 to HK\$16,882,000 for the six months ended 30 June 2021. This increase was primarily due to (i) an increase of HK\$4,697,000 in impairment losses on old and idle property, plant and equipment; and (ii) an increase of HK\$4,983,000 in fair value loss on Convertible Bonds.

#### *Distribution and selling expenses*

Distribution and selling expenses from the continuing operations amounted to HK\$61,986,000 (2020: HK\$41,904,000) for the period, increased by HK\$20,082,000 over the same period last year, mainly due to the increase in sales volume. The ratio of distribution and selling expenses to revenue slightly reduced from approximately 4.9% to approximately 4.8%.

#### *Administrative expenses*

Administrative expenses from the continuing operations amounted to HK\$29,149,000 (2020: HK\$26,650,000) for the period, increased by HK\$2,499,000 as compared to the same period last year. Due to stricter cost control, the ratio of administrative expenses to revenue lowered from approximately 3.1% to approximately 2.3%.

#### *Research and development expenses*

Research and development expenses from the continuing operations of the Group amounted to HK\$47,044,000 for the period, increased by HK\$16,976,000 as compared to HK\$30,068,000 for the same period last year. Such expenses were all incurred by the steel cord segment.

### 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 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 1,898,652,556 Shares at 30 June 2021 (31 December 2020: 1,899,024,556 Shares). Net asset value of the Group was HK\$1,719,423,000 at 30 June 2021, increased by approximately 4.5% as compared to HK\$1,645,571,000 at 31 December 2020. The increase in net asset value was mainly due to the net profit during the first half of 2021. Net asset value per Share was HK\$0.91 at 30 June 2021, also increased by HK\$0.04 as compared to HK\$0.87 at 31 December 2020.

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

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$230,781,000 at 30 June 2021, increased by approximately 30.0% as compared to HK\$177,570,000 at 31 December 2020. Total interest bearing borrowings of the Group (comprised of loan from a related company, bank borrowings and Convertible Bonds) were HK\$724,547,000 at 30 June 2021, increased by approximately 9.6% as compared to HK\$660,942,000 at 31 December 2020. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore increased from HK\$483,372,000 at 31 December 2020 to HK\$493,766,000 at 30 June 2021.

#### *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 approximately 29.4% at 31 December 2020 to approximately 28.7% at 30 June 2021. The current ratio (calculated as current assets divided by current liabilities) of the Group maintained at 1.1 times at 30 June 2021 and 31 December 2020. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Foreign Currency and Interest Rate Exposures

The Group's source of revenue is mainly denominated in EUR, RMB and USD, while those of purchases and payments are mainly denominated in RMB and HKD. In respect of exposure to interest rate risk, the interest bearing borrowings for the six months ended 30 June 2021 were at fixed rates. During the period under review, the Group did not use any derivatives instrument for hedging purposes.

We continuously 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 the derivative financial instruments to hedge the risk of exchange rate and interest rate in the second half of 2021.

### Capital Commitments

At 30 June 2021, the Group had commitments in respect of the acquisition of property, plant and equipment amounted to approximately HK\$194,134,000.

### Business Development Plan

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

Since November 2019, the construction project has commenced to acquire the machineries and construct the factory plant, ancillary facilities and peripheral roads. The new production line of brass wires in the project is expected to bring positive impact on the performance of the steel cord segment as some of the existing production lines 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. The project is carried out by phases according to the market conditions and the financial capacity of the Group from time to time. Its expected sources of funding will be internal resources and/or other financing of the Group. As the construction progress is satisfactory, this project can further drive the Group towards its goal to become an enterprise commanding an annual manufacturing capacity in excess of 300,000 tonnes of high-quality steel cords. This increase in productivity significantly also enhances the Group's core competitiveness and profitability.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

At 30 June 2021, the Group had a total of 2,294 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\$14,169,000.

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 Company adopted a share option scheme (the "Scheme") at the annual general meeting held on 25 May 2012, which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares falling to be issued and allotted upon the exercise of the share options granted.

The purpose of the Scheme is to provide incentives or rewards to selected participants for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of ten years from 29 May 2012.

Since the adoption of the Scheme, no options have been granted, exercised, lapsed, cancelled or outstanding thereunder as at 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Contingent Liabilities and Pledge of Assets

The Group had no contingent liabilities at 30 June 2021.

As at 30 June 2021, the carrying amounts of assets pledged as security for bills payable, bank borrowings and loan from a related company are:

1. Leasehold land and buildings with an aggregate net book value of HK\$193,912,000;
2. Plant and machinery with an aggregate net book value of HK\$26,199,000;
3. Land use rights with an aggregate amount of HK\$62,889,000; and
4. Pledged bank deposit of HK\$103,545,000.

### Business Outlook

The COVID-19 pandemic has spread globally and severely hit the world economy since 2020. Following the implementation of effective measures to prevent and control the epidemic, China has gradually resumed steady economic growth since the late first quarter of 2020. In 2021, the rollout of effective vaccination programs globally has eased the pandemic and returning our daily life to normalcy. Our 2021 interim result showed a remarkable improvement. However, the threat posed by the new virus variants and Sino-American relations remained uncertain. The second half of the year will be challenging but we, Shougang Century, are confident and optimistic about our business in light of the followings:

- Through our diligence and conviction to reduce our costs of production, we are confident to make orderly investment in expanding our steel cord/wire production capacity at TESC which is expected to reach an annual capacity of 160,000 tonnes by second half of the year;
- The PRC's macro-economic environment in infrastructure investment is expected to improve, this leads the sales in the automotive and tyre industry to increase continuously;
- By taking into consideration the Chinese government's regulations on energy conservation and emission reduction, the constant increase in output of electric cars drives demand for their accessorial tyres, which will in turn expedite the market expansion of steel cords for domestic radial tyres and bring a more ample room for development to steel cord industry in the long term; and
- Steel cord/wire manufacturing is undoubtedly our mainstay but in 2021, we will make a dedicated exploration in other businesses which we believe to have either a synergetic effect on our principal business or be able to fuel our growth in the 14th Five-Year Plan.

## INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, the Company repurchased an aggregate of 372,000 ordinary shares for a total consideration of HK\$104,304 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. All the aforesaid repurchased Shares were cancelled. Details of the Shares repurchased are as follows:

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

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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

As at 30 June 2021, none of the Directors and chief executives of the Company 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.

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

As at 30 June 2021, 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:

### Long position in Shares or underlying Shares

Name of Shareholders	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	7.82	Beneficial owner
Fair Union	813,639,179	42.85	Beneficial owner and interests of controlled corporations <sup>Note (1)</sup>
Casula	402,395,304	21.19	Beneficial owner
Shougang HK	906,719,179	47.76	Beneficial owner and interests of controlled corporations <sup>Note (2)</sup>
Jingxi Holdings	454,545,454	23.94	Beneficial owner <sup>Note (3)</sup>
Shougang Fund	454,545,454	23.94	Interests of controlled corporations <sup>Note (4)</sup>
Shougang Group	1,361,264,633	71.70	Interests of controlled corporations <sup>Note (5)</sup>
Bekaert Combustion	250,000,000	13.17	Beneficial owner <sup>Note (6)</sup>
Bekaert	250,000,000	13.17	Interests of controlled corporations <sup>Note (7)</sup>
Li Ka Shing Foundation	100,000,000	5.27	Beneficial owner <sup>Note (8)</sup>

Notes:

- (1) Fair Union is beneficially interested in 262,705,936 Shares. By virtue of the SFO, Fair Union also 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 74,254,000 Shares held by Prime Success Investments Limited ("Prime Success") as Prime Success is its wholly owned subsidiary 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 262,705,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula. 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.
- (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 74,254,000 Shares held by Prime Success as Prime Success is Shougang HK's wholly owned subsidiary 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 262,705,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula. 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

At the annual general meeting held on 25 May 2012, the Company adopted the Scheme which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares falling to be issued and allotted upon the exercise of the share options granted.

The purpose of the Scheme is to provide incentives or rewards to selected participants for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest. Unless otherwise cancelled or amended, the Scheme will remain in force for a period of ten years from 29 May 2012. Since the adoption of the Scheme, no options have been granted, exercised, lapsed, cancelled or outstanding thereunder as at 30 June 2021.

The Board considers that it is not appropriate to state the value of all share options that can be granted under the 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. Ye Qian**, being the executive director of the Company, was appointed as a supervisor of Beiqi Foton Motor Co., Ltd. (Stock Code: 600166), a company listed on the Main Board of the Shanghai Stock Exchange, with effect from 25 February 2021. He was also appointed as a non-executive director of BAIC Motor Corporation Limited (Stock Code: 1958), a company listed on the Main Board of the Stock Exchange, with effect from 24 March 2021.

## 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.

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

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 2021, 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. Adam Touhig (“Mr. Touhig”) as a non-executive director of the Company. Mr. Touhig does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director, which therefore deviated from the code provision D.1.4 of the Code.

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

The Company has engaged Moore 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.

## CORPORATE GOVERNANCE CODE (continued)

### Audit Committee

The Company's audit committee comprises of three independent non-executive Directors, namely Messrs. Yip Kin Man, Raymond, Lam Yiu Kin and 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 2021. 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 2021.

In summary, the audit committee has reviewed the unaudited interim results for the six months ended 30 June 2021. 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, 25 August 2021

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:

“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
“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
“Convertible Bonds”	the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of HK\$150,000,000 due 2022 (extendable to 2024) issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang HK
“Group”	the Company and its subsidiaries

## DEFINITIONS (continued)

“HKD”/“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Jingxi Holdings”	Jingxi Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly owned subsidiary of Shougang Fund
“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 the Company adopted in 2004 and revised from time to time thereafter
“SCCHL Corporate Governance Code”	Code on Corporate Governance of the Company (revised from time to time)

## DEFINITIONS (continued)

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“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
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent