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SHOUGANG CENTURY HOLDINGS LIMITED 首佳科技製造有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	6	1,260,697	1,235,047
Cost of sales	8	(1,062,862)	(1,054,941)
Gross profit		197,835	180,106
Other income	6	3,906	4,602
Other gains, net	7	7,485	7,258
Selling and distribution expenses	8	(67,052)	(64,959)
Administrative expenses	8	(28,915)	(27,572)
Research and development expenses	8	(53,995)	(52,192)
Net reversal of impairment losses/(net impairment losses) on financial assets	14(c)	469	(1,267)
Finance costs, net	9	(13,641)	(12,143)
Profit before income tax		46,092	33,833
Income tax expense	10	(3,569)	(2,693)
Profit for the period attributable to the owners of the Company		42,523	31,140
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		(14,587)	(26,920)
Total comprehensive income for the period attributable to the owners of the Company		27,936	4,220

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Notes</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit for the period attributable to the owners of the Company		
- Basic	<i>11(a)</i> 2.17	1.58
- Diluted	<i>11(b)</i> 2.17	1.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
ASSETS			
Non-current assets			
Investment properties	13(a)	43,575	43,728
Property, plant and equipment	13(b)	1,227,429	1,251,122
Right-of-use assets		2,795	416
Land use rights		121,896	124,604
Prepayments and deposits		5,389	30,325
Deferred income tax assets		12,288	10,026
Total non-current assets		<u>1,413,372</u>	<u>1,460,221</u>
Current assets			
Inventories		380,370	350,013
Trade receivables	14	686,477	645,519
Bills receivables	14	734,509	713,917
Prepayments, deposits and other receivables		38,711	45,339
Derivative financial instruments		1,789	-
Pledged bank deposits		27,007	20,002
Bank balances and cash		159,760	77,138
Total current assets		<u>2,028,623</u>	<u>1,851,928</u>
Total assets		<u><u>3,441,995</u></u>	<u><u>3,312,149</u></u>
LIABILITIES			
Non-current liabilities			
Other payables		124	140
Lease liabilities		1,851	-
Deferred income tax liabilities		29,541	27,733
Total non-current liabilities		<u>31,516</u>	<u>27,873</u>
Current liabilities			
Trade and bills payables	15	880,606	795,445
Other payables and accruals	16	284,971	304,427
Current income tax liabilities		3,851	6,105
Bank borrowings	17	522,489	487,537
Lease liabilities		953	446
Derivative financial instruments		-	643
Total current liabilities		<u>1,692,870</u>	<u>1,594,603</u>
Total liabilities		<u>1,724,386</u>	<u>1,622,476</u>
EQUITY			
Share capital	18	1,215,798	1,215,798
Reserves		501,811	473,875
Total equity		<u>1,717,609</u>	<u>1,689,673</u>
Total equity and liabilities		<u><u>3,441,995</u></u>	<u><u>3,312,149</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shougang Century Holdings Limited (the “Company”) is an investment holding company and together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the manufacturing and sales 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 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 2024 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 consolidated financial statements, accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2024 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong 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 (3) of the Hong Kong Companies Ordinance (Cap. 622).

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 and interpretations as set out below.

3.1 Amendments and interpretations adopted by the Group

The following amendments to standards and interpretations apply for the first time to financial reporting period commencing on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statement - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments listed above did not have any material impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

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

The following new and amended standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2024 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is still assessing what the impact of the new and amended standards and interpretations will be in the period of initial application. It is not yet in a position to state whether these new and amended standards and interpretations will have a significant impact on the Group's results of operations and financial position.

4. FAIR VALUE ESTIMATION

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 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 instruments that are measured at fair value as at 30 June 2024 and 31 December 2023:

	(Unaudited)			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 June 2024				
Derivative financial instruments				
- Cross currency swaps	-	1,789	-	1,789
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Audited)			
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 31 December 2023				
Derivative financial instruments				
- Cross currency swaps	-	(643)	-	(643)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4.1 Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Valuation techniques used to derive level 2 fair values

Level 2 derivative financial instruments comprise cross currency swaps. The fair value of the derivative financial instruments were determined using forward exchange rates and interest rates that are quoted by financial institutions.

5. SEGMENT INFORMATION

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

Segment results represent the profit or loss of each segment without allocation of changes in fair value of financial liability at fair value through profit or loss and derivative financial instruments, 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 2024

	Steel cord (Unaudited) <i>HK\$'000</i>
<u>Sales of goods:</u>	
Segment revenue from external customers	<u>1,260,079</u>
Segment results	69,295
Unallocated amounts	
Rental income	618
Other income	26
Other gains, net	313
Expenses	(10,519)
Finance costs, net	(13,641)
Profit before income tax	46,092
Income tax expense	(3,569)
Profit for the period	<u>42,523</u>

For the six months ended 30 June 2023

	Steel cord (Unaudited) <i>HK\$'000</i>
<u>Sales of goods:</u>	
Segment revenue from external customers	<u>1,234,354</u>
Segment results	54,194
Unallocated amounts	
Rental income	693
Other income	25
Other gains, net	1,713
Expenses	(10,649)
Finance costs, net	(12,143)
Profit before income tax	33,833
Income tax expense	(2,693)
Profit for the period	<u>31,140</u>

6. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of goods - Manufacturing of steel cords	1,260,079	1,234,354
Rental income	618	693
	<u>1,260,697</u>	<u>1,235,047</u>
Other income		
Government grants (<i>Note</i>)	2,491	3,334
Sales of scrap materials	712	1,131
Others	703	137
	<u>3,906</u>	<u>4,602</u>

Note: Government grants mainly represented financial supports for business development by the local governments in the PRC (2023: same). There are no unfulfilled conditions or other contingencies attaching to these grants.

7. OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Fair value gain on financial liability at fair value through profit or loss	-	3,554
Fair value gain on derivative financial instruments	2,431	1,078
(Loss)/gain on disposals of property, plant and equipment, net	(143)	207
Foreign exchange gains, net	5,369	2,699
Others	(172)	(280)
	<u>7,485</u>	<u>7,258</u>

8. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold (including net provision for inventories)	1,057,573	1,049,770
Employee benefit expense (including directors' emoluments)	161,526	146,363
Depreciation of property, plant and equipment (<i>Note 13(b)</i>)	51,935	52,209
Depreciation of right-of-use assets	581	625
Amortisation of land use rights	1,834	1,887

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance income		
Interest income on bank deposits	1,296	985
Foreign exchange gains on financial liability at fair value through profit or loss (<i>Note</i>)	-	4,488
	<u>1,296</u>	<u>5,473</u>
Finance costs		
Interest expenses on bank borrowings	(11,558)	(11,333)
Interest expenses on lease liabilities	(24)	(39)
Foreign exchange losses on borrowings	(3,355)	(6,244)
	<u>(14,937)</u>	<u>(17,616)</u>
Finance costs, net	<u>(13,641)</u>	<u>(12,143)</u>

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

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax:		
- China corporate income tax	5,440	7,036
(Over)/under-provision in prior periods	(1,429)	948
Total current income tax	4,011	7,984
Deferred income tax	(442)	(5,291)
Income tax expense	3,569	2,693

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 2024 and 2023 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 2024 and 2023.

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.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company used in calculating basic earnings per share (HK\$'000)	42,523	31,140
Weighted average number of ordinary shares in issue (shares)	1,958,381,828	1,971,035,828
Basic earnings per share attributable to the owners of the Company (HK cents)	2.17	1.58

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares: convertible bonds for the six months ended 30 June 2023. The convertible bonds were matured in February 2023 and the Company has made full redemption of outstanding principal amount of HK\$126,000,000 of the convertible bonds. For the convertible bonds, calculations are done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period) based on the monetary value of the subscription rights attached to outstanding convertible bonds.

For the six months ended 30 June 2023, 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 to the mature date in February 2023. The convertible bonds have not been included in the determination of basic earnings per share.

For the six months ended 30 June 2024, there was no dilutive potential shares during the period.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Profit attributable to the owners of the Company used in calculating basic earnings per share (<i>HK\$ '000</i>)	42,523	31,140
Profit adjustment for convertible bonds (<i>HK\$ '000</i>)	-	(8,042)
	42,523	23,098
Weighted average number of ordinary shares in issue (<i>shares</i>)	1,958,381,828	1,971,035,828
Adjustment for convertible bonds (<i>shares</i>)	-	86,489,201
Weighted average number of ordinary shares for diluted earnings per share (<i>shares</i>)	1,958,381,828	2,057,525,029
Diluted earnings per share attributable to the owners of the Company (<i>HK cents</i>)	2.17	1.12

12. DIVIDENDS

At a board meeting held on 18 March 2024, the directors of the Company recommended the payment of a final dividend of HK1 cent per fully paid ordinary share, totalling approximately HK\$19,584,000 for the year ended 31 December 2023, which was paid in July 2024.

No interim dividend has paid or proposed for the six months ended 30 June 2024 and 2023.

13. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

The movement of fair value for investment properties is as follows:

	Leasehold land and buildings (Unaudited) <i>HK\$'000</i>
As at 1 January 2023	55,637
Exchange differences	(1,032)
As at 30 June 2023	<u>54,605</u>
As at 1 January 2024	43,728
Exchange differences	(153)
As at 30 June 2024	<u>43,575</u>

(b) Property, plant and equipment

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

	(Unaudited) <i>HK\$'000</i>
As at 1 January 2023	1,187,280
Additions	12,202
Disposals	(245)
Depreciation	(52,209)
Exchange differences	(37,011)
As at 30 June 2023	<u>1,110,017</u>
As at 1 January 2024	1,251,122
Additions	37,952
Disposals	(661)
Depreciation	(51,935)
Exchange differences	(9,049)
As at 30 June 2024	<u>1,227,429</u>

14. TRADE RECEIVABLES AND BILLS RECEIVABLES

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade receivables (<i>Note (a)</i>)	708,251	667,322
Less: provision for impairment losses on trade receivables (<i>Note (c)</i>)	(21,774)	(21,803)
	<u>686,477</u>	<u>645,519</u>
Bills receivables (<i>Note (b)</i>)	734,509	713,917
	<u>1,420,986</u>	<u>1,359,436</u>

(a) Trade receivables

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Up to 90 days	515,901	512,979
91 to 180 days	151,356	111,399
Over 180 days	40,994	42,944
	<u>708,251</u>	<u>667,322</u>

(b) Bills receivables

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Up to 90 days	100,286	80,533
91 to 180 days	262,610	311,170
Over 180 days	371,613	322,214
	<u>734,509</u>	<u>713,917</u>

As at 30 June 2024, the Group's bills receivables mature within one year (31 December 2023: same).

(c) Provision for impairment losses on trade receivables

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
At beginning of the period	21,803	21,586
(Net reversal of impairment losses) /net impairment losses on trade receivables for the period	(469)	1,267
Exchange differences	440	(684)
At end of the period	<u>21,774</u>	<u>22,169</u>

15. TRADE AND BILLS PAYABLES

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Trade payables (<i>Note (a)</i>)	757,997	707,608
Bills payables (<i>Note (b)</i>)	122,609	87,837
	<u>880,606</u>	<u>795,445</u>

(a) Trade payables

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Up to 30 days	315,213	319,356
31 to 90 days	218,079	191,594
91 to 180 days	155,777	169,927
181 to 365 days	59,843	20,231
Over 365 days	9,085	6,500
	<u>757,997</u>	<u>707,608</u>

(b) Bills payables

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

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Up to 30 days	15,766	5,628
31 to 90 days	14,375	33,524
91 to 180 days	77,713	36,851
Over 180 days	14,755	11,834
	<u>122,609</u>	<u>87,837</u>

16. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Contract liabilities	4,083	4,793
Accrued wages and salaries	23,727	30,566
Other tax payables	7,160	8,306
Other accruals	14,965	9,058
Interest payables	1,085	2,215
Other payables (including payables for property, plant and equipment)	233,951	249,489
	<u>284,971</u>	<u>304,427</u>

17. BANK BORROWINGS

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
Bank loans	513,921	469,936
Discounted bills with recourse	8,568	17,601
	<u>522,489</u>	<u>487,537</u>
Current portion	<u>522,489</u>	<u>487,537</u>
Secured	8,568	17,601
Unsecured	513,921	469,936
	<u>522,489</u>	<u>487,537</u>

The Group's bank borrowings were repayable as follows:

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
Within 1 year	<u>522,489</u>	<u>487,537</u>

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

As at 30 June 2024, the carrying amount of fixed rate bank borrowings and variable rate bank borrowings are approximately HK\$327,165,000 (31 December 2023: HK\$122,432,000) and HK\$195,324,000 (31 December 2023: HK\$365,105,000) respectively.

18. SHARE CAPITAL

	Number of shares <i>In thousand</i>	<i>HK\$'000</i>
Issued and fully paid:		
As at 1 January 2023	1,971,380	1,215,798
Cancellation of shares (<i>Note (a)</i>)	(344)	-
As at 30 June 2023	<u>1,971,036</u>	<u>1,215,798</u>
As at 1 January 2024	1,968,904	1,215,798
Cancellation of shares (<i>Note (b)</i>)	(10,522)	-
As at 30 June 2024	<u>1,958,382</u>	<u>1,215,798</u>

Notes:

(a) During the six months ended 30 June 2023, 344,000 repurchased shares for approximately HK\$69,000 were cancelled in February 2023.

(b) During the six months ended 30 June 2024, 10,522,000 repurchased shares for approximately HK\$2,319,000 were cancelled in January 2024.

19. CAPITAL COMMITMENTS

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
- contracted for but not provided in the condensed consolidated interim financial information	<u>60,500</u>	<u>78,842</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the manufacturing and sales of steel cords for radial tyres, sawing wires and hose wires. For the six months ended 30 June 2024, the Group recorded revenue of approximately HK\$1,260,697,000 (2023: HK\$1,235,047,000), representing an increase of approximately 2.1% as compared with the last corresponding period. The gross profit also increased by 9.8% to HK\$197,835,000 (2023: HK\$180,106,000). Therefore, the Group's net profit increased by 36.6% from the same period last year of HK\$31,140,000 to HK\$42,523,000.

BUSINESS REVIEW

During the period under review, geopolitical conflicts, international trade frictions and other issues occurred frequently, resulting in a weak global economic growth momentum. However, benefiting from favourable factors such as the effectiveness of macro policies and the rebound of external demand, China's economic operation was generally stable in steady progress. According to the National Bureau of Statistics, in the first half of 2024, China's gross domestic product was RMB61,683.6 billion, representing a year-on-year growth of 5.0% calculated at constant prices.

For the six months ended 30 June 2024, the steel cord segment sold 120,658 tonnes of steel cords and increased by 13.5% as compared to 106,264 tonnes in the same period last year. In respect of the sales of sawing wire products, it increased by 12.0% from 376 tonnes to 421 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 30.4% increase in the sales of our other wire products from 4,816 tonnes to 6,282 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:

	Six months ended 30 June				
	2024		2023		% Change
	Sales volume (Tonnes)	% of total sales volume of steel cords	Sales volume (Tonnes)	% of total sales volume of steel cords	
Steel cords for:					
- truck tyres	68,185	56.5	59,635	56.1	+14.3
- off the road truck tyres	9,267	7.7	7,323	6.9	+26.5
- passenger car tyres	43,206	35.8	39,306	37.0	+9.9
Total for steel cords	<u>120,658</u>	<u>100.0</u>	<u>106,264</u>	<u>100.0</u>	+13.5
Sawing wire products	421		376		+12.0
Other wire products	<u>6,282</u>		<u>4,816</u>		+30.4
Total	<u>127,361</u>		<u>111,456</u>		+14.3

In respect of sales of steel cords by region, the volume of export sales amounted to 37,478 tonnes for the period, increased by 7.4% as compared to 34,883 tonnes for the same period last year signaling the increasing recognition of our brand to the international tyres manufacturers. The volume of export sales represented 31.1% of total sales volume for the period, compared to 32.8% for the same period last year. The breakdown of sales volume of steel cords for the period is as follows:

	Six months ended 30 June		2023		% change
	2024	% of	Sales	% of	
	Sales	total sales	volume	total sales	
	volume	volume of	(Tonnes)	volume of	
	(Tonnes)	steel cords		steel cords	
PRC sales	83,180	68.9	71,381	67.2	+16.5
Export sales	37,478	31.1	34,883	32.8	+7.4
Total	<u>120,658</u>	<u>100.0</u>	<u>106,264</u>	<u>100.0</u>	+13.5

FINANCIAL REVIEW

Revenue

Revenue of the Group amounted to HK\$1,260,697,000 (2023: HK\$1,235,047,000) for the period, increased by 2.1% over the same period last year. Due to the increase demand of radial tyres, the steel cord segment sold 127,361 tonnes of steel cords/wire products for the six months ended 30 June 2024, increased by 14.3% as compared to 111,456 tonnes last corresponding period. The breakdown of revenue of the Group for the period is as follows:

	Six months ended 30 June		2023		% change
	2024	% of total	2023	% of total	
	HK\$'000	revenue	HK\$'000	revenue	
Steel cords/wire products	1,260,079	99.9	1,234,354	99.9	+2.1
Property rental	618	0.1	693	0.1	-10.8
Total	<u>1,260,697</u>	<u>100.0</u>	<u>1,235,047</u>	<u>100.0</u>	+2.1

Gross profit

The gross profit of the Group increased by 9.8% over the same period last year to HK\$197,835,000 (2023: HK\$180,106,000). The gross profit margin of the Group also increased by 1.1 percentage point from 14.6% to 15.7% for the current period as compared to that of last period. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June				
	2024		2023		% change
	<i>HK\$'000</i>	Gross profit margin (%)	<i>HK\$'000</i>	Gross profit margin (%)	
Steel cords/wire products	197,274	15.7	179,460	14.5	+9.9
Property rental	561	90.8	646	93.2	-13.2
Total	<u>197,835</u>	15.7	<u>180,106</u>	14.6	+9.8

Other gains, net

Other gains, net of the Group for the six months ended 30 June 2024 recorded HK\$7,485,000 while that for the six months ended 30 June 2023 was HK\$7,258,000. This was mainly due to the net foreign exchange gains increased from HK\$2,699,000 to HK\$5,369,000 in the current period, and the fair value gain on Convertible Bonds decreased from HK\$3,554,000 to nil in the current period.

Selling and distribution expenses

Selling and distribution expenses of the Group amounted to HK\$67,052,000 (2023: HK\$64,959,000) for the period, increased by HK\$2,093,000 over the same period last year, mainly due to the increase in sales volume of steel cord segment.

Administrative expenses

Administrative expenses of the Group amounted to HK\$28,915,000 (2023: HK\$27,572,000) for the period, increased by HK\$1,343,000 as compared to the same period last year. The ratio of administrative expenses to revenue increases from 2.2% to 2.3%.

Research and development expenses

Research and development expenses of the Group amounted to HK\$53,995,000 for the period, increased by HK\$1,803,000 as compared to HK\$52,192,000 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 risk. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a viable financial position.

Surplus funds of the Group are generally placed on short term deposits mainly denominated in HKD, EUR, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group principally comprises bank loans. The financing portfolio takes into consideration of the liquidity of the Group and interest costs.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

Share capital and net asset value

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can maintain a sustainable growth and providing a long-term reasonable return to its Shareholders.

The total number of issued shares of the Company was 1,958,381,828 Shares as at 30 June 2024 (31 December 2023: 1,968,903,828 Shares). Net asset value of the Group was HK\$1,717,609,000 as at 30 June 2024, increased by 1.7% as compared to HK\$1,689,673,000 as at 31 December 2023. Net asset value per Share was HK\$0.88 as at 30 June 2024, also increased by 2.3% as compared to HK\$0.86 as at 31 December 2023.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$186,767,000 as at 30 June 2024, increased by 92.3% as compared to HK\$97,140,000 as at 31 December 2023. Total interest bearing borrowings of the Group (comprised of bank borrowings) were HK\$522,489,000 as at 30 June 2024, increased by 7.2% as compared to HK\$487,537,000 as at 31 December 2023. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore decreased from HK\$390,397,000 as at 31 December 2023 to HK\$335,722,000 as at 30 June 2024.

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 23.1% as at 31 December 2023 to 19.5% as at 30 June 2024. The current ratio (calculated as current assets divided by current liabilities) of the Group maintained at 1.2 times as at 30 June 2024 and 31 December 2023. We are committed to improving our liquidity ratios in order to attain a vibrant and yet manageable position to facilitate a sustainable growth of our business.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's source of revenue is mainly denominated in EUR, RMB and USD, while those of purchases and payments are mainly denominated in HKD, RMB and USD. During the period under review, the interest bearing borrowings were mainly at fixed rates. The Group also entered into cross currency swap transactions to manage its risks on exchange and interest rate in respect of our interest bearing borrowings.

We will review and adjust the currency composition of our interest bearing borrowings from time to time to minimise these risks. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimise our exchange and interest rate risks when needed.

CAPITAL COMMITMENTS

As at 30 June 2024, the Group had commitments in respect of the acquisition of property, plant and equipment amounted to approximately HK\$60,500,000.

BUSINESS DEVELOPMENT PLAN

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

The construction project has commenced to acquire the machineries and construct the factory plant, ancillary facilities and peripheral roads since November 2019. The project is carried out by phases according to the market conditions and the financial capacity of the Company from time to time. Facing the growing automotive and tyre market, the Group strives to enhance its productivity and continues to propel an expansion plan at TESC. Our steel cords/wires production capacity at TESC was expanded to reach an annual production capacity of 160,000 tonnes. Together with the annual capacity of 80,000 tonnes at JESC, the Group's annual production capacity of steel cords increased to 240,000 tonnes. Since the increase in productivity significantly enhances the Group's core competitiveness and profitability, the Group continues to make great strides towards its goal to manufacture over 300,000 tonnes of high-quality steel cords annually. This increase in productivity also significantly enhances the Group's core competitiveness and profitability.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

As at 30 June 2024, the Group had a total of 2,543 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalisation scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits or loss as they are incurred. The total employee benefit expense for the period under review amounted to approximately HK\$161.5 million.

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

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

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no material contingent liabilities as at 30 June 2024.

As at 30 June 2024, the carrying amounts of assets pledged as security for bank borrowings and bills payables were:

1. Bills receivables of HK\$8,568,000; and
2. Bank deposits of HK\$27,007,000.

BUSINESS OUTLOOK

Looking forward, the instability of the political and economic situation arising from the Sino-American relations, conflicts in Russia-Ukraine and the Middle East region, as well as the risk of global recession due to high interest rates have not yet been averted. But we, Shougang Century, are confident and optimistic about our business in light of the followings:

- To continue the construction of our production lines at TESC to facilitate the expansion plan of an additional 100,000 tonnes of steel cords manufacturing capacity within the 14th Five-Year Plan;

- To expand high-end customers and establish an international market network to achieve expanded global operations;
- By taking into consideration the Chinese government’s regulations on energy conservation and emission reduction, the constant increase in output of electric cars drives demand for their accessorial tyres, which will in turn expedite the market expansion of steel cords for domestic radial tyres and bring a more ample room for development to steel cord industry in the long term; and
- To reduce carbon emissions through reduction of energy consumption, application of clean energy, research and development on low-carbon products, the application of new technologies and new equipment and so on, the Group can achieve the green, low-carbon and sustainable corporate development and fulfil social responsibilities.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2024. 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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 2024.

CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, the Company has complied with all the principles and code provisions of the Code and also the SCHL Corporate Governance Code throughout the six months ended 30 June 2024.

APPRECIATION

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

DEFINITIONS

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

“Board”	the board of Directors
“Code”	the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange
“Company”/ “Shougang Century”	Shougang Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“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 Limited pursuant to the subscription agreement dated 18 December 2018
“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Group”	the Company and its subsidiaries
“HKD”/ “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCHL Corporate Governance Code”	Shougang Century Holdings Limited’s Code on Corporate Governance (revised from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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.

By order of the Board
Shougang Century Holdings Limited
SU Fanrong
Chairman

Hong Kong, 29 August 2024

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

Mr. Su Fanrong (Chairman), Mr. Zhao Yue (Vice Chairman), Mr. Li Jinping (Managing Director), Mr. Yang Junlin (Deputy Managing Director), Mr. Zhang Dan (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director), Mr. Feng Yaoling (Independent Non-executive Director) and Ms. Ho Shuk Ying, Sabrina (Independent Non-executive Director).

This interim results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/shougangcentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2024 Interim Report will be despatched to Shareholders and made available on the above websites in due course.