

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



# SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

## 首長寶佳集團有限公司

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

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### HIGHLIGHTS

	For the six months ended 30 June		
	2021 (Unaudited)	2020 (Unaudited)	Change
<b>Operations</b>			
Revenue from continuing operations (HK\$'000)	1,283,336	862,997	+48.7%
Gross profit from continuing operations (HK\$'000)	226,886	152,758	+48.5%
Gross profit margin from continuing operations	17.7%	17.7%	N/A
Profit for the period (HK\$'000)	52,256	35,863	+45.7%
Basic earnings per Share (HK cents)	2.75	1.87	+47.1%
	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)	Change
<b>Financial position</b>			
Net asset (HK\$'000)	1,719,423	1,645,571	+4.5%
Gearing ratio (Note)	28.7%	29.4%	-0.7pp

*Note:*

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

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2021 as follows:

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		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>
<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>	<b>1,705,738</b>
<b>Total liabilities</b>		<b>2,020,293</b>	<b>1,726,336</b>
<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>	<b>1,645,571</b>
<b>Total equity and liabilities</b>		<b>3,739,716</b>	<b>3,371,907</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, Interest Rate Benchmark Reform (Phase 2)  
HKAS 39, HKFRS 7, HKFRS 4  
and HKFRS 16

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

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1 January 2023

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.

#### 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	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<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	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31 December 2020</b>				
Financial liability at fair value through profit or loss				
- Convertible bonds	-	-	168,482	168,482

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

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.

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 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*).

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**

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

**For the six months ended 30 June 2020**

	Steel cord (Unaudited) <i>HK\$'000</i>
Sales of goods:	
Segment revenue from external customers	<u><u>862,235</u></u>
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	<u>(17,690)</u>
Profit before income tax	37,106
Income tax expense	<u>(1,101)</u>
Profit from continuing operations	36,005
Loss from discontinued operation	<u>(142)</u>
Profit for the period	<u><u>35,863</u></u>

## 6. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
<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 ( <i>Note</i> )	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).

## 7. OTHER LOSSES, NET

	Six months ended 30 June	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
<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	(11,493)	(6,510)
Losses on disposals of property, plant and equipment, net	(689)	(130)
Impairment losses on property, plant and equipment ( <i>Note 13(b)</i> )	(4,697)	-
Others	(3)	(635)
	<b>(16,882)</b>	<b>(7,981)</b>

## 8. EXPENSES BY NATURE

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<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

## 9. FINANCE COSTS, NET

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

## 10. INCOME TAX EXPENSE

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

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 (“HNTE”), 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.

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

**(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.

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 ( <i>HK\$ '000</i> )	52,256	36,005
- Discontinued operation ( <i>HK\$ '000</i> )	-	(142)
	<u>52,256</u>	<u>35,863</u>
Profit adjustment for convertible bonds ( <i>HK\$ '000</i> )	9,528	-
	<u>61,784</u>	<u>35,863</u>
Weighted average number of ordinary shares in issue ( <i>shares</i> )	1,898,853,970	1,915,102,270
Adjustment for convertible bonds ( <i>shares</i> )	454,545,454	-
Weighted average number of ordinary shares for diluted earnings per share ( <i>shares</i> )	<u>2,353,399,424</u>	<u>1,915,102,270</u>
From continuing operations attributable to the owners of the Company ( <i>HK cents</i> )	2.63	1.88
From discontinued operation ( <i>HK cents</i> )	-	(0.01)
Diluted earnings per share attributable to the owners of the Company ( <i>HK cents</i> )	<u>2.63</u>	<u>1.87</u>

## 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:

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

**(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)
At 30 June 2020	<u>1,055,004</u>
At 1 January 2021	1,178,174
Additions	134,250
Disposals	(1,553)
Depreciation	(51,446)
Revaluation	1,644
Impairment loss ( <i>Note 7</i> )	(4,697)
Exchange differences	15,550
At 30 June 2021	<u>1,271,922</u>

As at 30 June 2021, buildings located in the PRC amounting to 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.

**14. TRADE RECEIVABLES AND BILLS RECEIVABLE**

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

**(a) Trade receivables**

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

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

**(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>	<b>As at 31 December 2020 (Audited) HK\$'000</b>
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><u>836,506</u></b>	<b><u>871,869</u></b>

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</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
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 ( <i>Note 20</i> )	-	(67)
Exchange differences	<b>371</b>	(415)
At end of the period	<b>26,335</b>	18,385

**15. TRADE AND BILLS PAYABLES**

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

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

**16. OTHER PAYABLES AND ACCRUALS**

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

## 17. LOAN FROM A RELATED COMPANY

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

## 18. BANK BORROWINGS

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

The Group's bank borrowings were repayable as follows:

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

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.

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Effective interest rate per annum:		
Fixed rate borrowings	<u>0.65% to 5.66%</u>	<u>1.05% to 5.00%</u>

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

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

The holder of the Convertible Bonds has:

- (i) the option to demand the Company to redeem the Convertible Bonds on 11 February 2022 (the “Original Maturity Date”) at 100% of the principal amount outstanding plus any accrued and unpaid interest;
- (ii) the option to convert the Convertible Bonds into ordinary shares of the Company at 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.

## 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 (Note 14(c))	-	67
Loss before income tax	-	(142)
Income tax expense (Note 10)	-	-
Loss from discontinued operation	-	(142)
Other comprehensive income/(loss)		
Exchange differences arising on translation into presentation currency	483	(772)
Total comprehensive income/(loss) from discontinued operation	483	(914)

## 21. SHARE CAPITAL

	Number of shares <i>In thousand</i>	<i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2020	1,922,901	1,191,798
Cancellation of shares ( <i>Note</i> )	(18,384)	-
At 30 June 2020	<u>1,904,517</u>	<u>1,191,798</u>
At 1 January 2021	1,899,025	1,191,798
Cancellation of shares ( <i>Note</i> )	(372)	-
At 30 June 2021	<u>1,898,653</u>	<u>1,191,798</u>

*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.

## 22. CAPITAL COMMITMENTS

	<b>As at 30 June 2021 (Unaudited) <i>HK\$'000</i></b>	<b>As at 31 December 2020 (Audited) <i>HK\$'000</i></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	<u>194,134</u>	<u>223,163</u>

**23. 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 of 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 for the continuing operations increased by 48.5% to HK\$226,886,000 (2020: HK\$152,758,000). Therefore, the Group's net profit increased by 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 operations 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 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 cord during the period, increased by 27.0% as compared to 83,405 tonnes in the same period last year. In respect of the sales of sawing wire products, it increased substantially by 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 3.4% increase in the sales volume of our other steel wires from 4,410 tonnes to 4,560 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:

	Six months ended 30 June				
	2021	% of	2020	% of	%
	Sales	total sales	Sales	total sales	change
	volume	volume of	volume	volume of	
	(Tonnes)	steel cord	(Tonnes)	steel cord	
Steel cords for:					
- truck tyres	73,833	69.7	56,721	68.0	+30.2
- off the road truck tyres	3,318	3.1	2,542	3.1	+30.5
- passenger car tyres	28,796	27.2	24,142	28.9	+19.3
Total for steel cords	105,947	100.0	83,405	100.0	+27.0
Sawing wire products	252		143		+76.2
Other steel wires	4,560		4,410		+3.4
Total	110,759		87,958		+25.9

## FINANCIAL REVIEW

### Revenue

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

	Six months ended 30 June		2020		% change
	2021	% of total revenue	2020	% of total revenue	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cord/wire products	<b>1,282,582</b>	<b>99.9</b>	862,235	99.9	<b>+48.8</b>
Property rental	<b>754</b>	<b>0.1</b>	762	0.1	<b>-1.0</b>
Total	<b><u>1,283,336</u></b>	<b><u>100.0</u></b>	<b><u>862,997</u></b>	<b><u>100.0</u></b>	<b>+48.7</b>

### Gross profit

The gross profit for the continuing operations of the Group increased by 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 maintained at 17.7%. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June		2020		% change
	2021	Gross profit margin (%)	2020	Gross profit margin (%)	
	<i>HK\$'000</i>		<i>HK\$'000</i>		
Steel cord/wire products	<b>226,175</b>	<b>17.6</b>	152,046	17.6	<b>+48.8</b>
Property rental	<b>711</b>	<b>94.3</b>	712	93.4	<b>-0.1</b>
Total	<b><u>226,886</u></b>	<b><u>17.7</u></b>	<b><u>152,758</u></b>	<b><u>17.7</u></b>	<b>+48.5</b>

### Other losses, net

Other losses, net for 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 for 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 4.9% to 4.8%.

## **Administrative expenses**

Administrative expenses for 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 3.1% to 2.3%.

## **Research and development expenses**

Research and development expenses for 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.

## **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 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 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 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 29.4% at 31 December 2020 to 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.

## **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 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 wire 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 Company 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.

## **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.

## **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 unprecedented challenge of the COVID-19 pandemic 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).

## **AUDIT COMMITTEE**

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.

## **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.

## **CORPORATE GOVERNANCE CODE**

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

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

## **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.

## DEFINITIONS

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

“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) of the Company
“Board”	the board of Directors
“Code”	the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange
“Company” / “Shougang Century”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares are listed on the Main board of the Stock Exchange
“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”	Jiaying 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, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited’s Code on Corporate Governance (revised from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company

“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 Concord Century Holdings Limited**  
**SU Fanrong**  
*Chairman and Managing Director*

Hong Kong, 25 August 2021

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

*Mr. Su Fanrong (Chairman and Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).*

*This interim results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/scCentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2021 Interim Report will be despatched to Shareholders and made available on the above websites in due course.*