SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED

Stock Code: 103

Interim Report
2018

CONTENTS

CORPORATE PROFILE

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

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. sales and processing and trading of copper and brass products
3. manufacturing of sawing wires

CORPORATE'S GOAL

- strive for a successful "Eastern" brand recognition in steel cord industry
- be an enterprise of 200,000 tonnes annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality wire related products

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

CORPORATE INFORMATION

As at 30 August 2018

Board of Directors

Executive Directors	Su Fanrong *(Chairman and Managing Director)* Tang Cornor Kwok Kau *(Deputy Managing Director)*
Non-executive Director	Liao Jun
Independent Non-executive Directors	Yip Kin Man, Raymond Law, Yui Lun Lam Yiu Kin

Audit Committee	Yip Kin Man, Raymond *(Chairman)* Law, Yui Lun Lam Yiu Kin
Remuneration Committee	Yip Kin Man, Raymond *(Chairman)* Su Fanrong *(Vice Chairman)* Law, Yui Lun Lam Yiu Kin
Nomination Committee	Su Fanrong *(Chairman)* Yip Kin Man, Raymond *(Vice Chairman)* Law, Yui Lun Lam Yiu Kin
Authorised Representatives	Tang Cornor Kwok Kau Chan Lai Yee
Company Secretary	Chan Lai Yee

CORPORATE INFORMATION (continued)

As at 30 August 2018

Principal Bankers	Agricultural Bank of China Bank of China Bank of China (Hong Kong) Limited China CITIC Bank Fubon Bank Industrial and Commercial Bank of China
Auditor	PricewaterhouseCoopers, *Certified Public Accountants*
Internal Auditor	Moore Stephens Advisory Services Limited
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	Room 1215, 12/F, Honour Industrial Centre 6 Sun Yip Street Chai Wan Hong Kong
Company's Website	http://www.shougangcentury.com.hk
Website For Publishing Listing Rules Related Announcements And Other Documents	http://www.irasia.com/listco/hk/sccentury/
HKEx Stock Code	103
Listing Date	9 April 1992

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2018	2017	
	(Unaudited)	(Unaudited)	
	HK$'000	HK$'000	**% Change**
Operations			
Revenue	**1,142,797**	979,887	**+16.6**
Gross profit	**116,547**	124,988	**–6.8**
EBITDA *(Note)*	**74,740**	114,649	**–34.8**
(Loss) profit for the period	**(22,543)**	24,372	**N/A**
Basic (loss) earnings per Share (HK cents)	**(1.17)**	1.27	**N/A**

Note:

EBITDA represents (loss) earnings before finance costs, income tax, depreciation and amortisation.

	30 June	31 December	
	2018	2017	
	(Unaudited)	(Audited)	
	HK$'000	HK$'000	**% Change**
Financial position			
Total assets	**3,525,512**	3,444,076	**+2.4**
Shareholders' equity	**1,370,819**	1,391,528	**–1.5**
Net asset value per Share (HK$)	**0.713**	0.724	**–1.5**

INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Shares outstanding as at 30 June 2018:	1,922,900,556 Shares
Market capitalisation as at 30 June 2018:	HK$365,351,106
Closing Share price as at 30 June 2018:	HK$0.190
Basic loss per Share for the six months ended 30 June 2018:	(HK1.17 cents)

Key Date

Announcement of 2018 Interim Results:	30 August 2018

Investor Relations Contact

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Website	:	http://www.shougangcentury.com.hk

Shareholder Enquiries

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

Tricor Tengis Limited

Address	:	Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone	:	(852) 2980 1333
Fax	:	(852) 2810 8185
E-mail address	:	is-enquiries@hk.tricorglobal.com
Website	:	http://www.tricoris.com

BUSINESS CONTACTS

Jiaxing Eastern Steel Cord Co., Ltd.

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

Tengzhou Eastern Steel Cord Co., Ltd.

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

東莞興銅五金有限公司

Address:	San Zhong Jinlong Industrial Zone, Qingxi, Dongguan, Guangdong Province, PRC
Postal code:	523660
Telephone:	(86) 769 8709 1818
Fax:	(86) 769 8709 1810
Website:	http://www.dgxtong.com

首長寶佳(上海)管理有限公司

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

To the Board of Directors of Shougang Concord Century Holdings Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 10 to 52, which comprises the condensed consolidated statement of financial position of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2018 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** **(Unaudited)** **HK$'000**	 2017 (Unaudited) HK$'000
Revenue	3	**1,142,797**	979,887
Cost of sales		**(1,026,250)**	(854,899)
Gross profit		**116,547**	124,988
Other income	4	**2,279**	1,183
Other gains and losses	5	**(350)**	5,681
Distribution and selling expenses		**(35,386)**	(29,062)
Administrative expenses		**(34,772)**	(36,393)
Research and development expenses		**(40,220)**	(26,741)
Finance costs, net	6	**(32,658)**	(11,697)
(Loss) profit before tax		**(24,560)**	27,959
Income tax credit (expense)	7	**2,017**	(3,587)
(Loss) profit for the period	8	**(22,543)**	24,372
(Loss) earnings per share	9		
Basic and diluted		**(HK1.17 cents)**	HK1.27 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss) profit for the period	**(22,543)**	24,372
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation into presentation currency	**(11,589)**	47,145
Surplus on revaluation of properties	**16,312**	11,416
Recognition of deferred tax liability on revaluation of properties	**(2,889)**	(1,396)
Other comprehensive income for the period (net of tax)	**1,834**	57,165
Total comprehensive (loss) income for the period	**(20,709)**	81,537

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current assets			
Investment properties	11	**67,874**	70,790
Property, plant and equipment	11	**1,256,988**	1,273,927
Prepaid lease payments		**71,337**	74,314
Pledged deposit on loan from a related company		**8,303**	8,374
Club memberships		**328**	331
Deposit paid for the acquisition of property, plant and equipment		**2,343**	8,967
		1,407,173	1,436,703
Current assets			
Inventories		**334,720**	306,232
Trade receivables	12	**733,684**	688,333
Bills receivable	12	**789,649**	683,954
Prepayments, deposits and other receivables		**55,107**	52,466
Prepaid lease payments		**4,687**	4,728
Tax recoverable		**–**	1,321
Pledged bank deposits		**86,757**	59,780
Bank balances and cash		**107,365**	210,559
		2,111,969	2,007,373
Non-current assets classified as held-for-sale		**6,370**	–
		2,118,339	2,007,373
Current liabilities			
Trade and bills payable	13	**840,772**	830,269
Other payables and accruals	14	**148,842**	139,563
Tax payable		**5,180**	5,543
Loans from related companies	15	**242,938**	228,754
Bank borrowings	16	**605,795**	502,764
		1,843,527	1,706,893
Net current assets		**274,812**	300,480
Total assets less current liabilities		**1,681,985**	1,737,183

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2018

	NOTES	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Non-current liabilities			
Other payable		**586**	1,119
Loans from related companies	15	**–**	22,170
Bank borrowings	16	**282,636**	295,322
Deferred tax liabilities		**27,944**	27,044
		311,166	345,655
		1,370,819	1,391,528
Capital and reserves			
Share capital	17	**1,191,798**	1,191,798
Reserves		**179,021**	199,730
		1,370,819	1,391,528

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital HK$'000	Capital reserve HK$'000 *(Note i)*	Property revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	PRC reserve funds HK$'000 *(Note ii)*	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017 (Audited)	1,191,798	23,990	106,466	201,414	29,881	45,468	(277,052)	1,321,965
Profit for the period	–	–	–	–	–	–	24,372	24,372
Exchange differences arising on translation into presentation currency	–	–	–	47,145	–	–	–	47,145
Surplus on revaluation of properties	–	–	11,416	–	–	–	–	11,416
Recognition of deferred tax liability on revaluation of properties	–	–	(1,396)	–	–	–	–	(1,396)
Total comprehensive income for the period	–	–	10,020	47,145	–	–	24,372	81,537
Lapse of share options	–	–	–	–	(987)	–	987	–
At 30 June 2017 (Unaudited)	1,191,798	23,990	116,486	248,559	28,894	45,468	(251,693)	1,403,502
At 1 January 2018 (Audited)	**1,191,798**	**23,990**	**122,859**	**308,830**	**28,894**	**71,145**	**(355,988)**	**1,391,528**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(22,543)**	**(22,543)**
Exchange differences arising on translation into presentation currency	**–**	**–**	**–**	**(11,589)**	**–**	**–**	**–**	**(11,589)**
Surplus on revaluation of properties	**–**	**–**	**16,312**	**–**	**–**	**–**	**–**	**16,312**
Recognition of deferred tax liability on revaluation of properties	**–**	**–**	**(2,889)**	**–**	**–**	**–**	**–**	**(2,889)**
Total comprehensive loss for the period	**–**	**–**	**13,423**	**(11,589)**	**–**	**–**	**(22,543)**	**(20,709)**
Lapse of share options	**–**	**–**	**–**	**–**	**(27,814)**	**–**	**27,814**	**–**
At 30 June 2018 (Unaudited)	**1,191,798**	**23,990**	**136,282**	**297,241**	**1,080**	**71,145**	**(350,717)**	**1,370,819**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2018

Notes:

i. The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**77,551**	107,583
Increase in inventories	**(33,114)**	(96,269)
Increase in trade receivables	**(55,009)**	(16,955)
Increase in bills receivable	**(685,269)**	(585,415)
Increase in trade and bills payable	**504,592**	443,601
Other operating cash flows	**13,613**	7,765
NET CASH USED IN OPERATING ACTIVITIES	**(177,636)**	(139,690)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(86,749)**	(24,054)
Purchase of property, plant and equipment	**(7,219)**	(6,528)
Deposit paid for the acquisition of property, plant and equipment	**(222)**	(4,050)
Withdrawal of pledged bank deposits	**59,263**	4,311
Proceeds from disposal of property, plant and equipment	**4,682**	86
NET CASH USED IN INVESTING ACTIVITIES	**(30,245)**	(30,235)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
FINANCING ACTIVITIES		
Repayment of bank loans	**(270,603)**	(275,350)
Repayment to a related company	**(14,344)**	(172,545)
Repayment of trust receipt loans	**–**	(27,988)
Interest paid	**(19,941)**	(24,731)
New bank loans raised	**277,983**	235,040
Bank advances for discounted bills	**133,886**	150,360
Trust receipt loans raised	**–**	32,246
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**106,981**	(82,968)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(100,900)**	(252,893)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**210,559**	307,349
Effect of foreign exchange rate changes	**(2,294)**	9,384
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**107,365**	63,840

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") ("Interim Financial Information") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain properties, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements of the Group for the year ended 31 December 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 New and amended standards and interpretations adopted by the Group

A number of new or amended standards became applicable 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:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The impact of the adoption of HKFRS 9 and HKFRS 15 and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(i) Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs")

(a) Adoption of HKFRS 9

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 does not result in significant changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.1(ii) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories, since the Group does not have any financial assets that are carried at fair value, there is no impact to the Group's financial position as a result of adoption.

Impairment of financial assets

The Group has three types of financial assets that are subject to the new expected credit loss model of the HKFRS 9:

- Trade receivables
- Bills receivable
- Other financial assets at amortised cost

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(i) Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (continued)

(a) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

The Group was required to revise its impairment methodologies under the HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is insignificant.

While cash and cash equivalents are also subject to the impairment requirements of the New HKFRSs, the identified impairment loss was immaterial.

Trade receivables and bills receivable

The Group applies the HKFRS 9 simplified approach to measure the expected credit losses which uses a lifetime expected loss allowance for all trade receivables and bills receivable.

To measure the expected credit losses, trade receivables and bills receivable have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and bills receivable, according to their respective risk characteristics.

Trade receivables and bills receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(i) Impact of adoption on financial statements — HKFRS 9 and HKFRS 15 (collectively, the "New HKFRSs") (continued)

(a) Adoption of HKFRS 9 (continued)

Impairment of financial assets (continued)

Trade receivables and bills receivable (continued)

The Group has assessed the expected credit loss model applied to the trade receivables and bills receivable as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. The Group has assessed the expected credit loss model applied to the other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's condensed consolidated interim financial information and the opening loss allowance is not restated in this respect.

(b) Adoption of HKFRS 15

HKFRS 15 replaces the provision of HKAS 18 "Revenue" ("HKAS 18") that relates to the recognition, classification and measurement of revenue and costs.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(b) Adoption of HKFRS 15 (continued)

The Group has adopted HFKRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018		
	As previously stated	**Reclassification under HKFRS 15**	**As restated**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Consolidated statement of financial position (extract):			
Other payables and accruals – Contract liabilities	–	93	93
Other payables and accruals – Advance receipts from customers	93	(93)	–

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 31 December 2017 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, earnings per share (basic and diluted) and the condensed consolidated statement of cash flows for the period ended 30 June 2017.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(ii) Changes in accounting policies upon adopting of the New HKFRSs

(a) HKFRS 9 – Financial instruments

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss ("FVPL") are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(ii) Changes in accounting policies upon adopting of the New HKFRSs (continued)

(a) HKFRS 9 – Financial instruments (continued)

Investments and other financial assets (continued)

Impairment

For trade receivables and leased receivables, the Group applies the simplified approach permitted by the HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group applies the three-stage model permitted by HKFRS 9, which requires impairment of financial assets to be recognised in stages:

Stage 1 – as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2 – if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3 – if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

The net impairment losses on financial assets, including reversals of impairment losses or impairment gains, are shown separately in the condensed consolidated statement of comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(ii) Changes in accounting policies upon adopting of the New HKFRSs (continued)

(b) HKFRS 15 — Revenue from Contracts with Customers

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standalone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below:

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

(ii) Changes in accounting policies upon adopting of the New HKFRSs (continued)

(b) HKFRS 15 — Revenue from Contracts with Customers (continued)

Sales of goods

The Group manufactures and sells steel cords and processing and trading of copper and brass products. Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 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 2018 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 12, HKAS 23, HKFRS 3 and HKFRS 11	As part of the Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group, except for the following set out below.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impact of standards issued but not yet applied by the Group (continued)

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The new standard will result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of profit and loss, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2018 are HK$4,390,000 (Less than one year is HK$2,053,000, more than one year and less than five years is HK$2,337,000) (Note 20). Other than the increase in assets and financial liabilities in the consolidated statement of financial position and the financial performance impact in the consolidated statement of profit or loss as mentioned above, the directors of the Company expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group.

Mandatory application date

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3. SEGMENT INFORMATION

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

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

i) The steel cord segment comprising the manufacturing of steel cords; and

ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

These operating segments are the basis that is regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance. During the six months ended 30 June 2018, the Group had no material change in segment assets and segment liabilities.

Segment results represent the profit or loss of each segment without allocation of change in fair value of investment properties, 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.

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2018

	Steel cord (Unaudited) HK$'000	Copper and brass products (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue from external customers	1,022,758	118,984	1,141,742
Unallocated			
Rental income	–	–	1,055
	1,022,758	118,984	1,142,797
Segment results	19,059	(84)	18,975
Unallocated amounts			
Rental and other income			1,058
Increase in fair value of investment properties			3,704
Foreign exchange losses, net			(769)
Expenses			(14,870)
Finance costs, net			(32,658)
Loss before tax			(24,560)

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2017

	Steel cord (Unaudited) HK$'000	Copper and brass products (Unaudited) HK$'000	Total (Unaudited) HK$'000
Segment revenue from external customers	815,660	163,084	978,744
Unallocated			
Rental income	–	–	1,143
	815,660	163,084	979,887
Segment results	49,636	131	49,767
Unallocated amounts			
Rental and other income			1,154
Increase in fair value of investment properties			7,891
Foreign exchange losses, net			(2,304)
Expenses			(16,852)
Finance costs, net			(11,697)
Profit before tax			27,959

4. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Government grants *(Note)*	**117**	51
Sales of scrap materials	**1,396**	555
Others	**766**	577
	2,279	1,183

Note: The government grants represented subsidies received from the local government in the PRC.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Foreign exchange losses, net	**(2,222)**	(1,493)
Increase in fair value of investment properties	**3,704**	7,891
Fair value change in derivative financial instrument	**–**	(629)
Loss on disposal of property, plant and equipment, net	**(312)**	(88)
Allowance for bad and doubtful debts, net	**(1,499)**	–
Sundry expenses	**(21)**	–
	(350)	5,681

6. FINANCE COSTS, NET

	30 June 2018 (Unaudited) HK$'000	30 June 2017 (Unaudited) HK$'000
Finance income		
Interest income on bank deposits	**706**	165
Foreign exchange gains on borrowings	**–**	14,002
	706	14,167
Finance costs		
Interest expenses on bank borrowings	**(21,025)**	(20,610)
Interest expenses on loans from related companies	**(7,116)**	(3,034)
Amortisation of loan transaction costs	**(825)**	(2,220)
Foreign exchange losses on borrowings	**(4,398)**	–
	(33,364)	(25,864)
Finance costs, net	**(32,658)**	(11,697)

7. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**420**	816
Overprovision in prior periods:		
PRC EIT	**(607)**	(645)
Deferred tax	**(1,830)**	3,416
	(2,017)	3,587

For the six months ended 30 June 2018 and 30 June 2017, no provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong.

In respect of income tax rates, Jiaxing Eastern Steel Cord Co., Ltd. ("JESC"), which has been recognised as a state-encourged high-new technology enterprise starting from 2014 and renewed in 2017, is entitled to a preferential tax rate of 15% in 2017, 2018 and 2019, subject to annual review by the relevant tax authority in the PRC.

There was no change in applicable tax rates of the Company and its subsidiaries during the period. For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.50% (2017: 16.50%) for the period.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**67,909**	56,944
Allowance for inventories recognised, net (included in "Cost of sales")	**407**	584
Amortisation of prepaid lease payments (included in "Cost of sales")	**2,425**	3,882
Operating lease payments in respect of land and buildings	**3,879**	3,787

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss) profit for the period for the purposes of calculation of basic and diluted (loss) earnings per share	**(22,543)**	24,372

	Six months ended 30 June	
	2018	2017
Number of ordinary shares for the purposes of calculation of basic and diluted (loss) earnings per share	**1,922,900,556**	1,922,900,556

9. (LOSS) EARNINGS PER SHARE (continued)

Basic (loss) earnings per share is calculated by dividing the (loss) earnings attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted (loss) earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. As there is no dilutive potential ordinary shares for the six months ended 30 June 2018 and 30 June 2017, the diluted (loss) earnings per share equals the basic (loss) earnings per share.

10. DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Property, plant and equipment

During the six months ended 30 June 2018, the Group incurred approximately HK$51,177,000 (six months ended 30 June 2017: HK$14,471,000) on the enhancement of production facilities of steel cord segment and acquired approximately HK$116,000 (six months ended 30 June 2017: HK$231,000) of other property, plant and equipment.

During the six months ended 30 June 2018, the Group disposed of certain machineries with an aggregate carrying amount of HK$4,994,000 (six months ended 30 June 2017: HK$174,000) for cash proceeds of HK$4,682,000 (six months ended 30 June 2017: HK$86,000), resulting in a loss on disposal of HK$312,000 (six months ended 30 June 2017: a loss on disposal of HK$88,000).

During the six months ended 30 June 2018 and 2017, the management conducted reviews on the recoverable amounts of the property, plant and equipment of Tengzhou Eastern Steel Cord Co., Ltd. ("TESC") and JESC, indirect wholly owned subsidiaries of the Company, and determined that there was no impairment charge against the carrying amount of these property, plant and equipment required to be recognised. The recoverable amounts of the relevant assets of TESC and JESC as at 30 June 2018 and 31 December 2017 were determined based on value in use calculation and certain key assumptions. Value in use calculation used cash flow projections based on financial budgets approved by the management covering a five-year period with annual growth rate of 2%. Cash flow beyond the five-year period was extrapolated using a zero growth rate. Discount rates used for the value in use calculation for TESC and JESC are at 12.10% and 11.56% (31 December 2017: 11.82% and 11.30%), respectively. Other key assumptions for the value in use calculation related to the estimation of cash inflows/outflows which included gross budgeted sales and gross margin. Such estimation was based on the management's expectations for the market development.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

Property, Plant and equipment (continued)

The leasehold land and buildings of approximately HK$347,276,000 (31 December 2017: HK$352,533,000) included in property, plant and equipment were valued by Vigers Appraisal and Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group on either: (1) an open market value basis by reference to recent market transactions for comparable properties; or (2) on basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales method at the end of the reporting period. The resulting surplus on revaluation of leasehold land and buildings has been credited to property revaluation reserve of approximately HK$16,312,000 (six months ended 30 June 2017: HK$11,416,000).

In estimating the fair value of the leasehold land and buildings, the highest and best use of the leasehold land and buildings is their current use.

Market comparable approach has been adopted for valuing the Group's industrial property units in Hong Kong and commercial property units in the PRC. In determining the Group's industrial property units and commercial property units value, adjusted market price per square foot/square meter, taking into account the differences in time, location and individual factors, such as floor and size, between comparables and the corresponding properties, was approximately HK$6,800 (31 December 2017: HK$6,400) per square foot and was approximately HK$21,300 (31 December 2017: HK$21,500) per square meter, respectively. An increase in the price per square foot/square meter used would result in an increase in fair value measurement of the leasehold land and buildings, and vice versa.

Depreciated replacement cost approach has been adopted for valuing the Group's industrial property units in the PRC. Two of the key inputs used in valuing the Group's industrial property units were unit replacement cost and adopted depreciation rate, based on the valuer's professional judgement. The unit replacement cost, based on current cost of replacement (reproduction) of a property, was ranged from HK$1,350 to HK$3,173 (31 December 2017: HK$1,356 to HK$3,154) per square meter. If the unit replacement cost to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would increase/decrease by approximately HK$17,044,000 (31 December 2017: HK$17,387,000). If the adopted depreciation rate to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would decrease/increase by approximately HK$3,303,000 (31 December 2017: HK$3,177,000).

Fair values of the Group's leasehold land and buildings are categorised as Level 3 measurement in the three-level fair value hierarchy. During the period, there were no transfers between levels within the fair value hierarchy.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

Investment properties

The fair value of the Group's investment properties at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by Vigers. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity. The resulting increase in fair value of investment properties of approximately HK$3,704,000 (six months ended 30 June 2017: HK$7,891,000) has been credited to profit or loss for the period.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

Market comparable approach has been adopted for valuing the Group's industrial property units and residential property units under investment properties. In determining the Group's industrial property units and residential property units value, adjusted market price per square foot/square meter, taking into account the differences in time, location and individual factors, such as floor and size, between the comparables and the corresponding properties, was ranged approximately from HK$6,100 (31 December 2017: HK$5,700) per square foot and ranged from HK$39,400 to HK$53,600 (31 December 2017: HK$39,000 to HK$50,500) per square meter. An increase in the market price per square foot/square meter used would result in an increase in fair value measurement of the industrial property units and residential property units, and vice versa.

Fair values of the Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the period, there were no transfers between levels within the fair value hierarchy.

12. TRADE RECEIVABLES/BILLS RECEIVABLE

The Group normally allows credit periods of 30 to 90 days to its trade customers.

An aging analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period presented based on sales invoice date, which approximated the respective revenue recognition dates, is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 – 90 days	**565,495**	535,777
91 – 180 days	**146,319**	145,993
Over 180 days	**42,943**	26,305
	754,757	708,075
Less: allowance for bad and doubtful debts	**(21,073)**	(19,742)
	733,684	688,333

An aging analysis of bills receivable at the end of the reporting period presented based on sales invoice date, which approximated the respective revenue recognition dates, is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 – 90 days	**71,291**	50,595
91 – 180 days	**243,364**	266,311
Over 180 days	**474,994**	367,048
	789,649	683,954

12. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

Included in bills receivable as at 30 June 2018 was an amount of approximately HK$123,829,000 (31 December 2017: HK$37,403,000) that have been discounted to banks (note 16), and approximately HK$562,839,000 (31 December 2017: HK$523,648,000) have been endorsed to certain creditors, respectively, on a full recourse basis.

As the Group has not transferred the significant risks and rewards related to these receivables, it continues to recognise the full carrying amount of the bills receivable and the associated liabilities. At the end of the reporting period, all bills receivable will mature within one year based on the issuance date of relevant bills.

An aging analysis of trade receivables which are past due but not impaired based on the due date is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 – 90 days	**152,303**	150,646
91 – 180 days	**18,829**	7,060
Over 180 days	**2,109**	1,747
	173,241	159,453

12. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	HK$'000
At 1 January 2017 (Audited)	19,129
Exchange realignment	1,341
Impairment losses recognised on receivables	415
Impairment losses reversed on receivables	(1,143)
At 31 December 2017 (Audited)	19,742
Exchange realignment	(168)
Impairment losses recognised on receivables	2,007
Impairment losses reversed on receivables	(508)
At 30 June 2018 (Unaudited)	21,073

13. TRADE AND BILLS PAYABLE

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Trade payables	**653,589**	705,298
Bills payable	**187,183**	124,971
	840,772	830,269

The bills payable are secured by pledged bank deposits.

13. TRADE AND BILLS PAYABLE (continued)

An aging analysis of trade payables at the end of the reporting period presented based on purchase invoice date is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 – 30 days	158,473	208,686
31 – 90 days	157,891	236,611
91 – 180 days	245,994	227,788
181 – 365 days	84,435	24,377
Over 365 days	6,796	7,836
	653,589	705,298

An aging analysis of bills payables at the end of the reporting period presented based on purchase invoice date is as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 – 30 days	–	20,174
31 – 90 days	93,943	74,577
91 – 180 days	93,240	30,220
	187,183	124,971

The average credit period on purchases of goods is 30 days.

14. OTHER PAYABLES AND ACCRUALS

At 30 June 2018, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$83,639,000 (31 December 2017: HK$70,444,000).

15. LOANS FROM RELATED COMPANIES

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Loan from a related company *(Note i)*	**206,608**	200,657
Loan from a related company *(Note ii)*	**36,330**	50,267
	242,938	250,924
Less: Current portion	**(242,938)**	(228,754)
Non-current portion	**–**	22,170

15. LOANS FROM RELATED COMPANIES (continued)

Notes:

(i) As at 30 June 2018, the amount represents the loan from and interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK"). The Company is an associate of Shougang HK. The loan is unsecured, bears interest at 6% per annum and repayable within one year (31 December 2017: bears interest at 6% per annum and repayable within one year).

(ii) On 29 June 2016, TESC had entered into agreements (the "Agreement") with South China International Leasing Co., Ltd. ("South China Leasing") pursuant to which TESC had drawn down a loan of RMB70,000,000 (equivalent to approximately HK$81,159,000) from South China Leasing on 16 August 2016 which is to be repayable by 12 quarterly instalments plus interest at 5.13% per annum and obligated to pay lease handling fee of RMB2,100,000 (equivalent to approximately HK$2,454,000). South China Leasing is an indirect 75% owned subsidiary of Shougang Concord Grand (Group) Limited, which is in turn held as to approximately 50.53% by Shougang HK. As such, Shougang HK is the controlling shareholder of South China Leasing.

As at 30 June 2018 and 31 December 2017, collaterals for the above financing are as follows:

(a) TESC transferred the ownership title of certain machineries and equipment ("Machineries and Equipment") to South China Leasing;

(b) TESC placed a pledged deposit of RMB7,000,000 (equivalent to approximately HK$8,303,000) to South China Leasing; and

(c) the Company entered into a guarantee agreement in favour of South China Leasing for the payment obligations of TESC under the Agreement.

Upon discharging TESC's obligations under the Agreement, South China Leasing will return the ownership title of the Machineries and Equipment to TESC for a nominal purchase price of RMB1,000. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

16. BANK BORROWINGS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Other bank loans	**768,509**	765,361
Less: loan transaction costs	**(3,907)**	(4,678)
	764,602	760,683
Discounted bills with recourse	**123,829**	37,403
	888,431	798,086
Secured	**183,134**	134,303
Unsecured	**705,297**	663,783
	888,431	798,086

The above amounts are repayable as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**605,795**	502,764
In the second year	**73,457**	26,914
In the third to fifth year inclusive	**209,179**	268,408
	888,431	798,086
Less: Current portion	**(605,795)**	(502,764)
Non-current portion	**282,636**	295,322

During the six months ended 30 June 2018, the Group obtained new bank borrowings of approximately HK$411,869,000 (six months ended 30 June 2017: HK$417,646,000) and repaid bank loans of approximately HK$270,603,000 (six months ended 30 June 2017: HK$303,338,000). At 30 June 2018, the Group's bank borrowings bear interest at market rates ranging from 3.97% to 6.50% per annum (31 December 2017: 2.96% to 6.40% per annum) and are repayable within 3 years (31 December 2017: repayable within 3.5 years).

17. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	1,922,901	1,191,798

18. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

No share options have been granted under the 2012 Scheme during the six months ended 30 June 2018 and 30 June 2017. The share options which have been granted and remained outstanding under the 2002 Scheme shall remain valid and exercisable in accordance with their terms of issue.

18. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	Number of share options
Outstanding at 1 January 2017	110,968,000
Lapsed during the year	(3,268,000)
Outstanding at 31 December 2017 and 1 January 2018	107,700,000
Lapsed during the period	(103,700,000)
Outstanding at 30 June 2018	4,000,000

19. CAPITAL COMMITMENTS

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Commitments in respect of the acquisition of property, plant and equipment – contracted for but not provided in the condensed consolidated financial information	**9,714**	21,762

20. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**2,053**	7,132
In the second to fifth year inclusive	**2,337**	6,647
	4,390	13,779

Operating lease payments represent rental payable by the Group for certain of its offices and factory premises. Leases are negotiated for terms of one to three years (31 December 2017: one to three years).

20. OPERATING LEASES (continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**1,451**	1,885
In the second to fifth year inclusive	**2,243**	2,111
After fifth year	**165**	–
	3,859	3,996

21. RELATED PARTY TRANSACTIONS/BALANCES

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

Apart from the transactions with Shougang HK and its subsidiaries (collectively referred to as the "Shougang HK Group"), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

(i) Transactions with PRC government-related entities

(a) Transactions with Shougang HK Group

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Consultancy fees paid to Shougang HK Group	**480**	480
Rental expenses paid to Shougang HK Group	**1,692**	1,620
Loans repaid to Shougang HK Group	**14,344**	172,545
Interest expenses on loans from Shougang HK Group	**7,116**	3,034

(b) Transactions with other PRC government-related entities

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

21. RELATED PARTY TRANSACTIONS/BALANCES (continued)

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

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

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

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

Compensation of key management personnel

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Director fees	**–**	–
Salaries and other benefits	**3,449**	3,393
Retirement benefit scheme contributions	**63**	125
	3,512	3,518

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

22. 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 2017 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 is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Review of operations

The PRC recorded a decline in the second-quarter GDP economic growth of 6.7%, slightly lower than 6.8% in the first quarter of 2018 and previous year at 6.9% amid escalating trade tensions between the PRC and the U.S..

The Sino-US trade debacle has weighed on sentiment, particularly the property market and fixed asset investment growth for the first half of 2018, while industrial output for June matched the slowest growth rate in over two years at 6.0%. The sentiment of industrial sectors was also affected during the first half year; these brought along the slowdown in demand for radial tyres from the automobile and transportation sectors and in return lowered the demand for steel cord in the latter half of first quarter and early part of second quarter of 2018.

Discernible operating loss of the Group incurred during first half of 2018 which mainly came from the latter half of first quarter and early part of second quarter in 2018. Lower sales volume and turnover attributable to the unexpected decrease in demand of some of our major domestic customers during this period and relatively high inventory level of the tyre industry in general. Therefore, gross profit margin of Steel cord segment has further eroded since the second half year of 2017 and continued to decline in the first half year of 2018.

The PRC Government has put in measures to counter the slowdown in economic growth in second quarter in 2018. Compared with sales volume in the same period last year, the Steel cord segment successfully managed to achieve growth in both sales volume and selling price in months of May and June, thus overall growth of sales volume of this segment was achieved during the first half of 2018 under review. However, due to discernible operating loss incurred during the latter half of first quarter and early part of second quarter this year, the overall growth of sales revenue and sales volume could not bring forth positive impact on the gross profit margin, this segment decreased in operating profit from HK$49,636,000 in first half of last year to HK$19,059,000 during this period.

Business Review (continued)

Review of operations (continued)

In respect of Copper and brass products segment, sales volume declined during the period in both the PRC and Hong Kong as the business has begun retracting since later part of 2017. Revenue also decreased as a result with a decline in copper sales volume. Despite that management continued to adopt strict operating cost control, the decrease in sales volume caused this segment to incur a slight operating loss of HK$84,000 versus an operating profit of HK$131,000 in same period last year.

For the Group as a whole, attributed by the decrease in operating performance of Steel cord segment and foreign exchange loss of HK$6,620,000 arising from RMB depreciation, the Group had net loss of HK$22,543,000 during the period in compared with net profit of HK$24,372,000 of the previous period.

Steel cord

Overall performance

Despite the poor performance in the latter half of the first quarter and early second quarter, with the industrious effort of our sales division, this segment still achieved a growth in sales volume of 13.1% over the same period last year, which was driven by the increase in demand for radial tyres in particular in May and June, and other industrial products which reflected the result of our strategy to expand our coverage on large-scale and multinational tyre manufacturers and the fine-tuning of sales mix to flexibly meet our customers' requirements. In respect of selling price of steel cord, the average selling price had a slight increase of 2.6%.

Although there was increase in sales volume and selling price, the gross profit was lower in this period at HK$113,807,000, as compared to HK$120,561,000 for same period last year, at 5.6% decrease as explained earlier in '*Review of Operations*' section.

With a lower gross profit, EBITDA also decreased from the same period last year of HK$110,016,000 to HK$89,663,000 in current period. This segment recorded operating profit of HK$19,059,000 for the period, representing a decrease of 61.6% as compared to operating profit of HK$49,636,000 for same period last year.

Business Review (continued)

Steel cord (continued)

Revenue

This segment sold 85,274 tonnes of steel cord during the period, increased by 9.7% as compared to 77,700 tonnes in the same period last year. In respect of the sales of sawing wire, it dropped substantially by 74.8% from 246 tonnes to 62 tonnes in same period last year reflecting the rapid change in the production process of photo-voltaic industry. On the contrary, there was a material increase in the sales of our other wire products which sold 6,076 tonnes of other steel wires products during the period, increased by 108.6 % as compared to 2,913 tonnes for the same period last year. The sales volume of this segment for the period is analysed as follows:

	Six months ended 30 June				
	2018		2017		
	Sales volume *(Tonne)*	**% of total sales volume of steel cord**	Sales volume *(Tonne)*	% of total sales volume of steel cord	**% change**
Steel cords for					
– truck tyres	**55,961**	**65.6**	51,371	66.1	**+8.9**
– off the road truck tyres	**2,055**	**2.4**	1,959	2.5	**+4.9**
– passenger car tyres	**27,258**	**32.0**	24,370	31.4	**+11.9**
Total for steel cords	**85,274**	**100.0**	77,700	100.0	**+9.7**
Sawing wire products	**62**		246		**–74.8**
Other steel wires	**6,076**		2,913		**+108.6**
Total	**91,412**		80,859		**+13.1**

The sales volume of steel cord for all aforesaid types of tyres recorded growth. In respect of sales mix, there was no significant change during the period, the proportion of sales of steel cord for truck tyres accounted for 65.6% of total sales volume of steel cord for the period, decreased by 0.5 percentage point as compared to the same period last year, but still remained the largest share of sales of steel cord of the Group.

Business Review (continued)

Steel cord (continued)

Revenue (continued)

In respect of sales of steel cord by region, the volume of export sales of steel cord amounted to 15,656 tonnes for the period, increased by 1.6% as compared to 15,404 tonnes for the same period last year. The volume of export sales represented 18.4% of total sales volume of steel cord for the period, compared to 19.8% for the same period last year. The breakdown of sales volume of steel cord for the period by geographical location is as follows:

	Six months ended 30 June				
	2018		2017		
	Sales volume *(Tonne)*	**% of total sales volume of steel cord**	Sales volume *(Tonne)*	% of total sales volume of steel cord	**% change**
PRC	**69,618**	**81.6**	62,296	80.2	**+11.8**
Export sales:					
Asia (other than PRC)	**8,530**	**10.0**	9,837	12.7	**–13.3**
EMEA (Europe, Middle East and Africa)	**4,755**	**5.6**	3,688	4.7	**+28.9**
North America	**1,271**	**1.5**	1,143	1.5	**+11.2**
South America	**1,100**	**1.3**	736	0.9	**+49.5**
Total export sales	**15,656**	**18.4**	15,404	19.8	**+1.6**
Total	**85,274**	**100.0**	77,700	100.0	**+9.7**

In respect of selling price, we were able to raise selling price to a certain extent to partially offset the increase in the cost of wire rod during the period. The average selling price of steel cord for the period increased by approximately 2.6% as compared to same period last year.

The overall sales volume growth of 9.7% in steel cord and the increase in average selling price of 2.6% were recorded, in addition to sawing wire products and other steel wires growth of 94.3% were achieved, together lead to revenue of this segment increased by 25.4% over the same period last year to HK$1,022,758,000 (2017: HK$815,660,000) for the period.

Business Review (continued)

Steel cord (continued)

Cost of sales

Cost of sales of this segment significantly increased by 30.8% to HK$908,951,000 (2017: HK$695,099,000) for the period, which was higher than the revenue growth of 25.4%. Certain non-raw material costs that constitute part of cost of sales could not decrease in direct proportion to the unexpected decrease in sales volume and turnover in latter half of first quarter and early part of second quarter in 2018.

Cost of major raw materials, wire rod, increased for the period, and was partly offset by lower average unit cost of production (excluding raw materials) driven by the higher capacity utilization of our two manufacturing plants. Hence, the average unit cost of production of steel cord only increased by approximately 5.7% as compared to same period last year.

Gross profit

Gross profit of this segment decreased by 5.6% over the same period last year to HK$113,807,000 (2017: HK$120,561,000) for the period. Gross profit margin reduced from 14.8% in the same period last year to 11.1% for the period.

Other income

Other income amounted to HK$2,070,000 for the period, increased by 1.8 times as compared to HK$1,158,000 for the same period last year, mainly as sales of scrap materials increased during the period.

Allowance for bad and doubtful debts, net

An allowance for bad and doubtful debts of HK$1,799,000 was provided during the period under review (2017: Nil) primarily on certain sawing wire customers reflecting the challenging market environment in the solar energy sector.

Business Review (continued)

Steel cord (continued)

Impairment loss recognised in respect of property, plant and equipment

Based on the impairment assessments of property, plant and equipment of both JESC and TESC, their recoverable amounts exceeded the carrying amounts as at 30 June 2018, we are of the view that no impairment loss is required to be recognised in respect of property, plant and equipment of both JESC and TESC.

Distribution and selling expenses

Distribution and selling expenses increased by 23.4% over the same period last year to HK$34,452,000 (2017: HK$27,928,000) for the period, mainly due to the revenue of this segment increased by 25.4% over the same period last year.

Administrative expenses

Administrative expenses amounted to HK$18,592,000 for the period, only increased by 3.1% as compared to HK$18,036,000 for the same period last year, mainly as sound cost control measures in place despite the revenue of this segment increased over the same period last year.

Research and development expenses

Research and development expenses amounted to HK$40,220,000 (2017: HK$26,741,000) for the period, significantly increased by 50.4% as compared to same period last year. These expenses accounted for 3.9% of revenue for the period, increased by 0.6 percentage points as compared to 3.3% for the same period last year and within our expected range of 3% to 4% each year.

Business Review (continued)

Copper and brass products

Overall performance

As the business in Hong Kong has downsized in second half of 2017 and the PRC business will cease factory operation business in second half of 2018, the sales volume of this segment decreased by 39.5% as compared to the same period last year, while revenue of this segment also decreased by 27.0%. Despite that management continued to adopt strict operating cost control, this segment had changed from operating profit of HK$131,000 in same period last year to operating loss of HK$84,000 during the period.

Revenue

This segment sold 2,258 tonnes of copper and brass products during the period, decreased by 39.5% as compared to 3,733 tonnes for the same period last year. The sales to customers in the PRC decreased year-on-year by 23.2%, and no sales to customers in Hong Kong was made during the period under review. The breakdown of sales volume of this segment for the period by geographical regions is as follows:

	Six months ended 30 June				
	2018		2017		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
PRC	**2,258**	**100.0**	2,939	78.7	**–23.2**
Hong Kong	**–**	**–**	794	21.3	**–100.0**
Total	**2,258**	**100.0**	3,733	100.0	**–39.5**

Business Review (continued)

Copper and brass products (continued)

Revenue (continued)

Copper price recorded a rise during the first half year, in which the 3-month copper price as quoted by the London Metals Exchange recorded increased at approximately 20.4% throughout the period under review as compared to the same period last year. The average selling price of this segment for the period recorded a year-on-year increase of 20.8% as compared to the same period last year. The contribution from increased selling price was partly offset by the decrease in sales volume. Therefore, this segment recorded an decrease in revenue of 27.0% as compared to the same period last year to HK$118,984,000 (2017: HK$163,084,000) for the period.

Gross profit

In addition to revenue decreased by 27.0% as compared to the same period last year, gross profit recorded a decrease of 48.1% as compared to the same period last year to HK$1,735,000 (2017: HK$3,365,000) for the period. Gross profit margin dropped by 0.6 percentage point from 2.1% of the same period last year to 1.5% for the period.

Reverse in allowance for bad and doubtful debts

A reversal in allowance for bad and doubtful debts of HK$300,000 has been made for a trade receivable during this period, while nil for the same period last year.

Financial Review

The Group reported net loss of HK$22,543,000 for the period, as compared to net profit of HK$24,372,000 for same period last year. The operating performance and key financial information of the Group for the period are analysed as follows:

	Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	**Change**
OPERATING PERFORMANCE			
Revenue	**1,142,797**	979,887	**+16.6%**
Gross profit margin	**10.2%**	12.8%	**–2.6pp**
EBITDA	**74,740**	114,649	**–34.8%**
EBITDA margin	**6.5%**	11.7%	**–5.2pp**
(Loss) profit for the period	**(22,543)**	24,372	**N/A**
Net (loss) profit margin	**–2.0%**	2.5%	**–4.5pp**
Basic (loss) earnings per share *(HK cents)*	**(1.17)**	1.27	**N/A**

	At 30 June 2018 HK$'000	At 31 December 2017 HK$'000	**% Change**
KEY FINANCIAL INFORMATION			
Total assets	**3,525,512**	3,444,076	**+2.4**
Total liabilities	**2,154,693**	2,052,548	**+5.0**
Equity attributable to equity holders of the Company	**1,370,819**	1,391,528	**–1.5**
Net current assets	**274,812**	300,480	**–8.5**
Bank balances and cash (including pledged deposits)	**194,122**	270,339	**–28.2**
Total interest bearing borrowings	**1,131,369**	1,049,010	**+7.9**
Net interest bearing borrowings	**937,247**	778,671	**+20.4**

Financial Review (continued)

Revenue

Revenue of the Group amounted to HK$1,142,797,000 (2017: HK$979,887,000) for the period, increased by 16.6% over the same period last year. The breakdown of revenue of the Group for the period is as follows:

	Six months ended 30 June				
	2018		2017		
	HK$'000	**% of total revenue**	HK$'000	% of total revenue	**% change**
Steel cord	**1,022,758**	**89.5**	815,660	83.2	**+25.4**
Copper and brass products	**118,984**	**10.4**	163,084	16.6	**–27.0**
Sub-total	**1,141,742**	**99.9**	978,744	99.9	**+16.7**
Property rental	**1,055**	**0.1**	1,143	0.1	**–7.7**
Total	**1,142,797**	**100.0**	979,887	100.0	**+16.6**

Financial Review (continued)

Gross profit

Gross profit of the Group decreased by 6.8% over the same period last year to HK$116,547,000 (2017: HK$124,988,000) for the period, which was mainly due to the decrease of gross profit of Steel cord segment from lower sales volume in latter half of first quarter and early part of second quarter in 2018. Gross profit margin of the Group also decreased by 2.6 percentage points to 10.2% for the period as compared to the same period last year. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June				
	2018		2017		
	HK$'000	**Gross profit margin (%)**	HK$'000	Gross profit margin (%)	**% change**
Steel cord	**113,807**	**11.1**	120,561	14.8	**–5.6**
Copper and brass products	**1,735**	**1.5**	3,365	2.1	**–48.4**
Property rental	**1,005**	**95.3**	1,062	92.9	**–5.4**
Total	**116,547**	**10.2**	124,988	12.8	**–6.8**

Other income

Other income increased by 92.6% over the same period last year to HK$2,279,000 (2017: HK$1,183,000) for the period, primarily as sales of scrap materials increased as compared to the same period last year. For comparable purpose with prior period last year, interest income on bank deposits at HK$706,000 (2017: HK$165,000) for the period has been reclassified and included in the item "Finance costs, net".

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Other gains and losses

The Group recorded net loss of HK$350,000 on other gains and losses for the period, as compared to net gain of HK$5,681,000 for the same period last year. The breakdown of other gains and losses for the period is as follows:

	Six months ended 30 June		
	2018 **HK$'000**	2017 HK$'000	**% change**
Foreign exchange losses, net	**(2,222)**	(1,493)	**+48.8**
Increase in fair value of investment properties	**3,704**	7,891	**–53.1**
Allowance for bad and doubtful debts, net	**(1,499)**	–	**N/A**
Fair value change in financial liabilities through fair value to profit and loss	**–**	(629)	**–100.0**
Loss on disposal of property, plant and equipment, net	**(312)**	(88)	**+254.5**
Sundry expenses	**(21)**	–	**N/A**
Total	**(350)**	5,681	**N/A**

Financial Review (continued)

Distribution and selling expenses

Distribution and selling expenses amounted to HK$35,386,000 (2017: HK$29,062,000) for the period, increased by 21.8% over the same period last year, mainly due to the sales revenue of Steel cord segment increased by 25.4% in first half of 2018.

Administrative expenses

Administrative expenses amounted to HK$34,772,000 (2017: HK$36,393,000) for the period, decreased by 4.5% as compared to the same period last year. Despite the revenue of the Group increased by 16.6% as compared to the same period last year, with stricter cost control, the ratio of administrative expenses to revenue lowered from 3.7% in the same period last year to 3.0% for the period.

Research and development expenses

Research and development expenses of the Group amounted to HK$40,220,000 for the period, increased by 50.4% as compared to HK$26,741,000 for the same period last year. Such expenses were all incurred by the Steel cord segment, which have been mentioned in '*Steel cord*' section above.

Segment results

The Group recorded operating profit of HK$18,975,000 from its business segments for the period, as compared to operating profit of HK$49,767,000 for the same period last year. The breakdown of the operating results of the Group's business segments for the period is as follows:

	Six months ended 30 June		
	2018	2017	
	HK$'000	HK$'000	**% change**
Steel cord	**19,059**	49,636	**–61.6**
Copper and brass products	**(84)**	131	**N/A**
Total	**18,975**	49,767	**–61.9**

Financial Review (continued)

Finance cost, net

Net finance costs amounted to HK$32,658,000 for the period, increased by 179.2% as compared to HK$11,697,000 for the same period last year. The overall increase on finance cost was mainly attributable to foreign exchange losses directly related to interest bearing borrowings (included bank and related companies) of HK$4,398,000 for the current period under review. In the same period last year, foreign exchange gain directly related to interest bearing borrowings was HK$14,002,000. The foreign exchange loss was due to depreciation of RMB to HKD at approximately 0.9% during the period under review against an increase of 3.2% in the same period last year.

The bank loan principal of HK$200,000,000 outstanding during the corresponding period of last year was repaid by a bridging loan granted by Shougang HK which has been classified as loans from related company since December 2017 to present, with the same principal amount of HK$200,000,000. This in turn caused the increase of the item "Interest expenses on loans from related companies" amounted to HK$7,116,000 (2017:HK$3,034,000), representing an increase of 134.5%.

The increase of 2.0% for the periods under comparison on the item "Interest expenses on bank borrowings" was mainly attributable to interest expenses on bank advances for discounted bills in RMB, subject to relatively higher interest rate despite the loan principal amount due to banks has decreased. The breakdown is listed hereunder:

Financial Review (continued)

Finance cost, net (continued)

	Six months ended 30 June		
	2018 HK$'000	2017 HK$'000	**% Change**
Finance income			
Interest income on bank deposits	**706**	165	**+327.9**
Foreign exchange gains on borrowings	**–**	14,002	**N/A**
	706	14,167	**– 95.0**
Finance costs			
Interest expenses on bank borrowings	**(21,025)**	(20,610)	**+2.0**
Interest expenses on loans from related companies	**(7,116)**	(3,034)	**+134.5**
Amortisation of loan transaction costs	**(825)**	(2,220)	**–62.8**
Foreign exchange losses on borrowings	**(4,398)**	–	**N/A**
	(33,364)	(25,864)	**+29.0**
Finance costs, net	**(32,658)**	(11,697)	**+179.2**

Income tax (credit) expense

Income tax credit amounted to HK$2,017,000 for the period, as compared to income tax expense of HK$3,587,000 in same period last year. The Group has recorded deferred tax credit of HK$1,830,000 for the period (2017: deferred tax expense of HK$3,416,000), which is mainly attributable to revaluation of properties.

Financial Review (continued)

Income tax (credit) expense (continued)

In respect of income tax rates, JESC, which has been recognised as a state-encouraged high-new technology enterprise starting from 2014 and renewed in 2017, thus entitled to a preferential tax rate of 15% in 2017, 2018 and 2019, subject to annual review by the relevant tax authority in the PRC. There was no change in applicable tax rates of the Company and its subsidiaries during the period. For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.5% (2017: 16.5%) for the period.

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$754,757,000 at 30 June 2018, increased by 6.6% as compared to HK$708,075,000 at 31 December 2017. The amount of allowance for bad and doubtful debts amounted to HK$21,073,000 at 30 June 2018, increased by 6.7% as compared to HK$19,742,000 at 31 December 2017. The increase above was in line with the revenue growth of 16.6% during the period.

The trade receivables (after allowance for bad and doubtful debts) amounted to HK$688,333,000 at end of 2017 and HK$733,684,000 at 30 June 2018.

The aging analysis of trade receivables (after allowance for bad and doubtful debts) of the Group as at 30 June 2018 and the comparison with the end of 2017 is as follows:

Age	**31 June 2018**	**%**	31 December 2017	%	**% change**
0 – 90 days	**565,378**	**77.1**	535,777	77.8	**+5.5**
91 – 180 days	**146,061**	**19.9**	145,994	21.2	**+0.1**
Over 180 days	**22,245**	**3.0**	6,563	1.0	**+238.9**
Total	**733,684**	**100.0**	688,333	100.0	**+6.6**

The overall quality of trade receivables continues to be in a manageable condition, as trade receivables aged within 180 days accounted for 97% of total trade receivables at 30 June 2018.

Regarding the balance of the allowance for bad and doubtful debts of HK$21,073,000 at 30 June 2018, they mainly represented those made for receivables from sales of steel cord, while we have strived to pursue the recovery of these receivables, regrettably we consider that chances of a material recovery are scanty.

Financial Review (continued)

Trade receivables (continued)

In respect of the trade receivables at 30 June 2018, approximately 40.1% has been subsequently settled by cash or bills receivable up to 24 August 2018. The details of subsequent settlement of trade receivables of the Group and from top five customers of the Group for the period are as follows:

Age	Total trade receivables of the Group		Trade receivables from top five customers of the Group	
	Amount at 30 June 2018 HK$'000	% of subsequent settlement	Amount at 30 June 2018 HK$'000	% of subsequent settlement
0-90 days	**565,378**	**30.5**	**281,629**	**25.7**
91-180 days	**146,061**	**74.4**	**82,083**	**83.2**
Over 180 days	**22,245**	**59.6**	**9,024**	**99.0**
Total	**733,684**	**40.1**	**372,736**	**40.1**

Treasury and Funding Policies

The treasury and funding policies of the Group concentrates 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 healthy 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 usually comprises short to medium term loans from banks. The loan portfolio takes into consideration of the liquidity of the Group and interest costs.

Share Capital, Liquidity and Financial Resources

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

Share Capital, Liquidity and Financial Resources (continued)

There was no change in the total number of issued shares of the Company during the period. The total number of issued shares of the Company remained at 1,922,900,556 Shares at 30 June 2018. Net asset value of the Group was HK$1,370,819,000 at 30 June 2018, decreased slightly by 1.5% as compared to HK$1,391,528,000 at 31 December 2017. The decrease in net asset value was attributable to the negative impact on depreciation of RMB exchange rate against HKD of approximately 0.9% throughout the period. Net asset value per Share was HK$0.713 at 30 June 2018, also decreased by 1.5% as compared to HK$0.724 at 31 December 2017.

Cash flows

The Group generated net cash operating outflow of HK$177,636,000 for the period as follows:

	HK$'000
Net cash from operating activities as per condensed consolidated statement of cash flows	(177,636)
Add: Operating cash inflows not reflected in condensed consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks and matured during the period	43,929
Bills receivable endorsed to creditors of the Group at 31 December 2017 to settle payable for acquisition of property, plant and equipment and matured during the period	31,314
Net operating cash outflow for the period	(102,393)

In respect of cash flows on other activities:

1. The Group incurred net cash outflow on investing activities of HK$30,245,000 during the period, in which HK$7,441,000 incurred mainly on the capital expenditures incurred by Steel cord segment; and

2. The Group recorded net cash inflow on financing activities of HK$106,981,000 during the period. When bank advances for discounted bills of HK$133,886,000 were excluded, the Group incurred net cash outflow of HK$26,905,000 on financing activities during the period that represented net reduction of interest bearing borrowings during the period.

Share Capital, Liquidity and Financial Resources (continued)

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK$194,122,000 at 30 June 2018, decreased by 28.2% as compared to HK$270,339,000 at 31 December 2017. Total interest bearing borrowings of the Group (comprised of loans from related companies and bank borrowings) were HK$1,131,369,000 at 30 June 2018, increased by 7.9% as compared to HK$1,049,010,000 at 31 December 2017. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore increased from HK$778,671,000 at 31 December 2017 to HK$937,247,000 at 30 June 2018.

At 30 June 2018, the interest bearing borrowings on majority of bank loans and related companies loans were fixed rates ranging from 4.78% to 6.5% per annum total at HK$799,693,000. While smaller portion of these interest bearing borrowings were floating-rate borrowings at total of HK$331,676,000 with interest rates ranging from 3.97% to 5.87% during period under review. The nature and maturing profile of the Group's interest bearing borrowings at 30 June 2018, based on contracted repayment schedules were as follows:

	HK$'000	% of total interest bearing borrowings
Due in second half of 2018 or on demand:		
– Short term bank loans	257,383	22.7
– Bank advances for discounted bills	123,829	10.9
– Loan from a related company	15,036	1.4
Total due in second half of 2018	396,248	35.0
Due in 2019 or after:		
– Non-current bank loans	511,126	45.2
– Loan from related companies	227,902	20.1
Total due in 2019 or after	739,028	65.3
	1,135,276	100.3
Unamortised loan arrangement fees	(3,907)	(0.3)
Total	1,131,369	100.0

The Group will plan to service the interest bearing borrowings due in 2018 and 2019 by cash flow generated from its operations and refinancing from banks and exploring from other sources to raise capital.

Share Capital, Liquidity and Financial Resources (continued)

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 increased from 56.0% at 31 December 2017 to 68.4% at 30 June 2018. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.15 times at 30 June 2018 as compared to 1.18 times at 31 December 2017.

Foreign Currency and Interest Rate Exposures

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. The Group's bank balances and cash are therefore mainly in RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimise the risk of significant mismatch between the sources of revenue with interest bearing borrowings. The respective currency composition of the Group's bank balances and cash (including pledged bank deposits) and interest bearing borrowings was as follows:

Bank balances and cash (including pledged bank deposits)

	30 June 2018		31 December 2017	
	HK$'000	**% of total bank balances and cash (including pledged bank deposits)**	HK$'000	% of total bank balances and cash (including pledged bank deposits)
RMB	**153,998**	**79.3**	155,644	57.6
HKD	**10,109**	**5.2**	58,382	21.6
USD	**16,401**	**8.4**	40,193	14.9
Other currencies	**13,614**	**7.1**	16,120	5.9
Total	**194,122**	**100.0**	270,339	100.0

Foreign Currency and Interest Rate Exposures (continued)

Interest bearing borrowings (including banks and related companies)

	30 June 2018		31 December 2017	
	HK$'000	**% of total interest bearing borrowings**	HK$'000	% of total interest bearing borrowings
RMB	**635,275**	**56.2**	553,031	52.7
HKD	**496,094**	**43.8**	495,979	47.3
Total	**1,131,369**	**100.0**	1,049,010	100.0

In respect of exposure to interest rate risk, the majority of interest bearing borrowings at 30 June 2018 are at fixed instead of floating rates. For the minority of interest bearing borrowings are in floating rates, the Group had not entered into any interest rate swaps to contain any upside risks on the floating interest rates to the results and cash flows of the Group as those relevant floating rate borrowings are for a term of less than one year. While the interest rate of USD is expected to rise, we do not anticipate an aggregate level of magnitude arisen in second half of 2018 to justify for entering into any interest rate swaps.

During the period under review, the exchange rate of RMB depreciated by approximately 0.9% against HKD. The depreciation of RMB exchange rate has negative impact on the results of the Group on the translation of the Group's interest bearing borrowings that are denominated in HKD, and the Group has not entered into derivative financial instruments to hedge against foreign currency risk in first half of 2018 as the rate was under fluctuation in first quarter of 2018. We will review and adjust, when necessary, the currency composition of our interest bearing borrowings from time to time to minimise our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimise our exchange and interest rate risks when needed, such as entering into new derivative financial instruments to hedge the risk of RMB exchange rate in second half of 2018.

Business Development Plan and Capital Commitments

Capital expenditures incurred by the Group during the period amounted to HK$51,293,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The capital expenditures to be incurred in second half of 2018 is estimated to be approximately HK$10,375,000, which are to be incurred by Steel cord segment mainly for enhancement of production efficiency of the two manufacturing plants. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

Further, the Steel cord segment will continue to invest in research and development expenses for development of new specifications of steel cord and wire products. The research and development expenses to be incurred in second half of 2018 are estimated to be maintained at a similar level to the period under review, i.e. within the range of 3% to 4% of total revenue of Steel cord segment for the year 2018.

Employees, Remuneration Policies and Training Scheme of the Group

At 30 June 2018, the Group had a total of 2,146 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 consolidated statement of profit or loss for the period under review amounted to approximately HK$16,120,000.

Employees, Remuneration Policies and Training Scheme of the Group (continued)

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

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

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

Share options granted and remained outstanding under the 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

During the period under review, no options were granted, exercised, cancelled and lapsed under the 2012 Scheme while only 103,700,000 share options lapsed under the 2002 Scheme.

Contingent Liabilities and Pledge of Assets

The Group had no contingent liabilities at 30 June 2018.

At 30 June 2018, the following assets had been pledged to the Group's bankers and a related company for banking facilities and bills payable issued and to secure loan from a related company granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK$211,529,000;

2. Plant and machinery with an aggregate amount of HK$99,343,000;

Contingent Liabilities and Pledge of Assets (continued)

3. Prepaid land payments with an aggregate amount of HK$66,974,000;

4. Bank deposit of HK$86,757,000; and

5. Pledged deposits on loan from a related company amounting to HK$8,303,000.

The result on the Possible Deemed Disposal of Equity Interest in TESC and the Proposed Strategic Cooperation with 棗莊礦業（集團）有限責任公司 (Zaozhuang Mining (Group) Co., Ltd.*) ("Zaozhuang Mining")

As regards the second supplemental memorandum of understanding (the "Second Supplemental MOU") entered into by the Company and Zaozhuang Mining (the "Parties") dated 30 June 2016, the long stop date to the effect that the formal agreement under the Second Supplemental MOU has expired on 12 July 2018, the Parties to the Second Supplemental MOU have not yet gone through the necessary internal approval procedures customary to state-owned enterprises of the PRC and hence, the major terms and conditions in respect of the proposed capital injection or the proposed strategic cooperation between the Group and Zaozhuang Mining Group could not be concluded and no legally-binding agreement could be reached. Accordingly, the Second Supplemental MOU had lapsed in accordance with its terms and ceased to have any effect.

The Directors are of the view that the lapse of the Second Supplemental MOU does not have any material adverse impact on the business operation and financial position of the Group. However, the Group will maintain dialogue with Zaozhuang Mining Group should the opportune timing and projects arise in the future.

The Company will comply with any applicable requirements prescribed by the Listing Rules and/or the Inside Information Provisions as and when appropriate and further announcement(s) will be made by the Company with respect to any material development as and when required.

* *For identification purpose only*

Business Outlook

The risks associated with fluctuation in RMB exchange rate, a faster US interest rate uphill cycle, the continuous consolidation within industries with over-capacity, and last but not least, the knock on effect of the rise of protectionism triggered by the U.S. administration are making the operating environment constantly in flux. On the other side of the globe, we believe that China will enjoy broader space for its economic development, monetary policy and investment to counter measure the from U.S./Sino trade friction. For the latter half of the year, we will:–

- use our best endeavors to minimise costs, amass cash and restore profitability;
- maintain its receivable collection effort;
- monitor currency and interest rate fluctuations, and execute appropriate hedging measures to reduce our exposure;
- persistent in research and development; and
- develop branding, improve quality and competitiveness of products with strong focus on further expanding those export markets which deemed less protective.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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 2018.

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

As at 30 June 2018, save for the interests of the Director in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares

Name of Director	Total number of Shares held	Approximate % of the total number of issued Shares	Capacity in which interests are held
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner *Note (i)*

Notes:

(i) Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

(ii) Mr. Li Shaofeng ("Mr. Li") resigned as the executive Director and chairman on 18 January 2018. As at 17 January 2018 (Mr. Li's last day of being a director of the Company), 7,652,000 Shares were held by Mr. Li, which is approximately 0.39% of the total number of issued Shares.

(iii) Mr. Yang Kaiyu ("Mr. Yang") resigned as the managing Director and executive Director on 31 January 2018. As at 30 January 2018 (Mr. Yang's last day of being a director of the Company), 3,596,000 Shares were beneficially owned by Mr. Yang's wife, which is approximately 0.18% of the total number of issued Shares.

(iv) Mr. Leung Shun Sang, Tony ("Mr. Leung") retired at the annual general meeting held on 18 May 2018 and did not offer himself for re-election. As at 18 May 2018 (Mr. Leung's last day of being a director of the Company), 7,652,000 Shares were held by Mr. Leung, which is approximately 0.39% of the total number of issued Shares.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options

As at 30 June 2018, there were no outstanding share options of the Company granted to Directors under 2002 Scheme, details of which are summarised in the following table:

	Options to subscribe for Shares										
Name of Director	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/ cancelled during the period	Date of exercise	Number of outstanding share options held at the end of the period	Date of grant *Note (i)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the total number of issued Shares
Mr. Tang	10,000,000	–	–	(10,000,000) *Note (ii)*	–	–	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.52
Yip Kin Man, Raymond ("Mr. Yip")	1,800,000	–	–	(1,800,000) *Note (ii)*	–	–	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09
Law, Yui Lun ("Mr. Law")	1,800,000	–	–	(1,800,000) *Note (ii)*	–	–	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09
	13,600,000	–	–	(13,600,000)		–					

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

Notes:

(i) The vesting period of the share options is from the date of grant to the beginning of the exercise period.

(ii) A total of 13,600,000 share options at the exercise price of HK$0.864 held by Mr. Tang, Mr. Yip and Mr. Law lapsed during the period.

(iii) Following the resignation of Mr. Li as an executive Director and chairman with effect from 18 January 2018, the 13,800,000 shares options held by Mr. Li, with the exercise price of HK$0.864 and the exercise period from 28 January 2008 to 27 January 2018, lapsed.

(iv) Following the resignation of Mr. Yang as an executive Director and managing Director with effect from 31 January 2018, the 18,000,000 share options held by Mr. Yang, with the exercise price of HK$0.680 with and the exercise period ending on 12 July 2019, lapsed.

(v) A total of 12,000,000 share options held by Mr. Leung with the exercise price of HK$0.864 and the exercise period from 28 January 2008 to 27 January 2018, lapsed during the period, and Mr. Leung retired at the annual general meeting held on 18 May 2018 and did not offer himself for re-election.

The above share options are unlisted cash settled options granted pursuant to 2002 Scheme. Upon exercise of the share options in accordance with 2002 Scheme, ordinary shares of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of the Company's associated corporations at 30 June 2018.

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

As at 30 June 2018, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the total number of issued Shares	Capacity in which interests are held
Richson	148,537,939	7.72	Beneficial owner
Fair Union	686,655,179	35.70	Beneficial owner and interests of controlled corporations *Note (1)*
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations *Note (2)*
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	906,719,179	47.15	Beneficial owner and interests of controlled corporations *Note (3)*
Shougang Group	906,719,179	47.15	Interests of controlled corporations *Note (4)*
Bekaert Combustion	250,000,000	13.00	Beneficial owner *Note (5)*
Bekaert	250,000,000	13.00	Interests of controlled corporations *Note (6)*
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner *Note (7)*

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

Long position in Shares or underlying Shares (continued)

Notes:

(1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.

(2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.

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

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

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

Long position in Shares or underlying Shares (continued)

Notes: (continued)

(5) Bekaert Combustion is beneficially interested in 250,000,000 Shares.

(6) By virtue of the SFO, Bekaert is deemed to be interested in 250,000,000 Shares held by Bekaert Combustion, which is a wholly owned subsidiary of Bekaert.

(7) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.

SHARE OPTION SCHEME

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

2012 Scheme became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted. Unless otherwise cancelled or amended, 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

The share options which have been granted and remained outstanding under 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

The following table discloses details of the Company's share options granted under 2002 Scheme held by eligible participants (other than Directors) and movements in such holdings in relation to 2002 Scheme during the six months ended 30 June 2018:

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme

Save as disclosed in the above sub-section "*Share options*" under "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO**", and the details of the share options of employees and other eligible participants set out as below, no share option had been granted, exercised, cancelled or lapsed:

	Options to subscribe for Shares					
Category of participant	Number of outstanding share options held at the beginning of the period	Number of share options lapsed/ cancelled during the period	Number of outstanding share options held at the end of the period	Date of grant *Note (i)*	Exercise Period	Exercise price per Share HK$
Employees other than the Directors	28,700,000	(28,700,000) *Note (ii)*	–	28/1/2008	28/1/2008 to 27/1/2018	0.864
	100,000	(100,000) *Note (iii)*	–	28/1/2008	28/1/2011 to 27/1/2018	0.864
	1,350,000	(150,000) *Note (iv)*	1,200,000	13/7/2009	13/7/2009 to 12/7/2019	0.680
	1,350,000	(150,000) *Note (iv)*	1,200,000	13/7/2009	1/1/2010 to 12/7/2019	0.680
	1,800,000	(200,000) *Note (iv)*	1,600,000	13/7/2009	1/1/2011 to 12/7/2019	0.680
	33,300,000	(29,300,000)	4,000,000			
All other eligible participants	17,000,000	(17,000,000) *Note (v)*	–	28/1/2008	28/1/2008 to 27/1/2018	0.864
Total	50,300,000	(46,300,000)	4,000,000			

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme (continued)

Notes:

(i) The vesting period of the share options is from the date of grant to the beginning of the exercise period except for the share options set out under *Notes (iii)* and *(iv)*.

(ii) A total of 28,700,000 share options at the exercise price of HK$0.864 lapsed during the period in accordance with the terms of the 2002 Scheme.

(iii) 100,000 share options at the exercise price of HK$0.864, which have a vesting period of three years from the date of grant, lapsed during the period in accordance with the terms of the 2002 Scheme.

(iv) A total of aggregate 500,000 share options lapsed during the period due to the resignation of an employee.

(v) 17,000,000 share options at the exercise price of HK$0.864 lapsed during the period in accordance with the terms of the 2002 Scheme.

(b) 2012 Scheme

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

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

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:

Mr. Su Fanrong ("Mr. Su"), being the executive director and executive deputy managing director of the Company, was re-designated as the executive director and chairman of the Company with effect from 18 January 2018. He was appointed as the chairman of nomination committee and the vice chairman of the remuneration committee on the same date. Mr. Su was appointed as managing director of the Company with effect from 31 January 2018. Mr. Su's monthly salaries is entitled to HK$150,000 at present under his service contract with the Company in order to show his accountability to the Shareholders.

Mr. Yip Kin Man, Raymond, being an independent non-executive director of the Company, was appointed as the vice chairman of the nomination committee of the Company with effect from 18 May 2018.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. The Board also recognises that effective risk management and internal control systems are crucial to the long term development of the Company. Hence, the Board reviews from time to time the effectiveness of the systems of risk management and internal control 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 in order to enhance the effectiveness of the corporate governance practices and the risk management and internal control systems, and also to be in line with the relevant amendments to the 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 2018, except for a deviation from code provision D.1.4 of the Code as below:

Deviation from code provision D.1.4 of Code

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

CORPORATE GOVERNANCE CODE (continued)

Risk Management and Internal Control Systems

The Company has engaged Moore Stephens Advisory Services Limited, as the internal auditor of the Company since 2015 in relation to the provision of internal audit services to the Company.

Model code for securities transactions by Directors

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

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

Audit Committee

The Company's audit committee comprises of three independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Lam Yiu Kin. Mr. Yip acts as the chairman of the audit committee. The audit committee was established with specific written terms of reference with the task including but not limited to monitoring the financial reporting procedures, reviewing internal control and risk management systems of the Group and monitoring the independence of the external auditor. The Company has engaged the external auditor to assist the audit committee to review the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2018. During the meetings of the audit committee for the period under review, the audit committee members, amongst other things, had reviewed the accounting principles and practices adopted by the Group; discussed the financial information matters related to the preparation of the unaudited condensed consolidated financial information for the six months ended 30 June 2018.

In summary, the audit committee has reviewed the unaudited interim results for the six months ended 30 June 2018. 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.

CORPORATE GOVERNANCE CODE (continued)

Audit Committee (continued)

The Company has also engaged the internal auditor regarding provision of internal audit services. During the period, the audit committee members had meetings with the representatives of the internal auditor to (i) review the internal audit services including preparation of preliminary internal audit report, performed by the internal auditor regarding the effectiveness of risk management and internal control systems of the Group during 2017 and corresponding findings and the respective management's response to the findings; (ii) conducting an internal control review on continuing connected transactions of the Group during 2017; and (iii) review of the internal audit plan prepared by the internal auditor for 2018.

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 thank all the fellow directors for their diligence and valuable input and the management and colleagues for their loyalty, continued hard work and commitment to the Group throughout the period under review.

By order of the Board
Su Fanrong
Chairman and Managing Director

Hong Kong, 30 August 2018

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

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

"2002 Scheme"	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
"2012 Scheme"	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
"Able Legend"	Able Legend Investments Limited, a subsidiary of Shougang HK
"Bekaert"	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the SFO)
"Bekaert Combustion"	Bekaert Combustion Technology B.V., a wholly owned subsidiary of Bekaert, a substantial Shareholder (as defined under the SFO)
"Board"	the board of Directors
"Casula"	Casula Investments Limited, a subsidiary of Shougang International
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company"/ "Shougang Century"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company

DEFINITIONS (continued)

"Fair Union"	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
"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
"Inside Information Provisions"	Part XIVA of the SFO
"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
"Li Ka Shing Foundation"	Li Ka Shing Foundation Limited, a "charitable body" within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial Shareholder (as defined under the SFO)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
"Richson"	Richson Limited, a subsidiary of Shougang International

DEFINITIONS (continued)

"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Code"	Model Code for Securities Transactions by Directors and Specified Individuals of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shougang Grand"	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Shougang Group"	Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission, established in the PRC), a substantial Shareholder (as defined under the SFO)
"Shougang HK"	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial Shareholder (as defined under the SFO)
"Shougang International"	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, a substantial Shareholder (as defined under the SFO)

DEFINITIONS (continued)

"Steel cord"	manufacturing of steel cords for radial tyres
"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/US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.