

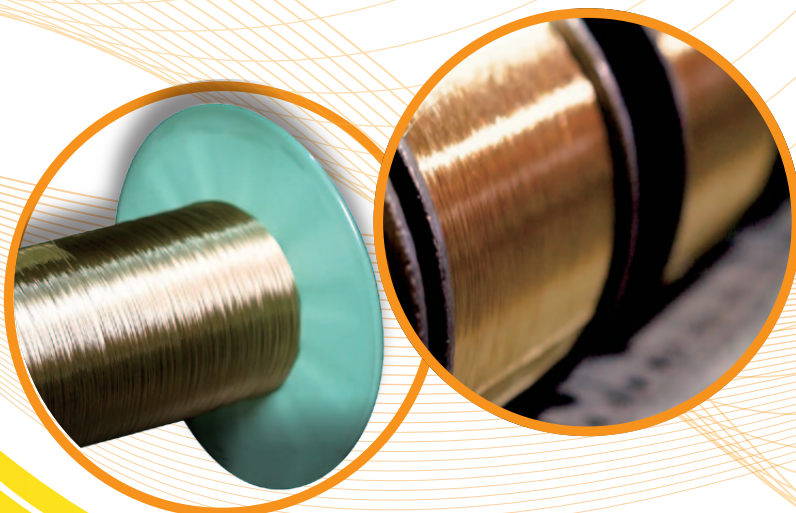


**SHOUGANG CENTURY HOLDINGS LIMITED**

Stock Code: 103

**2024**

**INTERIM REPORT**



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## CORPORATE PROFILE

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

The Group is primarily involved in the following activities:

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

### Corporate Goals

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

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

## CORPORATE INFORMATION

As at 29 August 2024

### Board of Directors

#### Executive Directors

Su Fanrong (*Chairman*)  
Zhao Yue (*Vice Chairman*)  
Li Jinping (*Managing Director*)  
Yang Junlin (*Deputy Managing Director*)  
Zhang Dan

#### Non-executive Director

Adam Touhig

#### Independent

#### Non-executive Directors

Lam Yiu Kin  
Feng Yaoling  
Ho Shuk Ying, Sabrina

### Audit Committee

Lam Yiu Kin (*Chairman*)  
Feng Yaoling  
Ho Shuk Ying, Sabrina

### Remuneration Committee

Lam Yiu Kin (*Chairman*)  
Su Fanrong (*Vice Chairman*)  
Feng Yaoling  
Ho Shuk Ying, Sabrina

### Nomination Committee

Su Fanrong (*Chairman*)  
Feng Yaoling (*Vice Chairman*)  
Lam Yiu Kin  
Ho Shuk Ying, Sabrina

### Authorised Representatives

Su Fanrong  
Cheung Wa Ying

### Company Secretary

Cheung Wa Ying

## CORPORATE INFORMATION (continued)

As at 29 August 2024

<b>Principal Bankers</b>	Agricultural Bank of China Bank of China China CITIC Bank Chong Hing Bank Industrial Bank Industrial and Commercial Bank of China Nanyang Commercial Bank The Bank of East Asia Ping An Bank
<b>Auditor</b>	PricewaterhouseCoopers <i>Certified Public Accountants and Registered PIE Auditor</i>
<b>Internal Auditor</b>	Moore Advisory Services Limited
<b>Share Registrar</b>	Tricor Tengis Limited 17/F., Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Registered Office</b>	Room 1215, 12/F., Honour Industrial Centre 6 Sun Yip Street, Chai Wan Hong Kong
<b>Company's Website</b>	<a href="http://www.shougangcentury.com.hk">http://www.shougangcentury.com.hk</a>
<b>Website For Publishing Listing Rules Related Announcements And Other Documents</b>	<a href="http://www.irasia.com/listco/hk/shougangcentury/">http://www.irasia.com/listco/hk/shougangcentury/</a>
<b>HKEx Stock Code</b>	103
<b>Listing Date</b>	9 April 1992

## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2024 (Unaudited)	2023 (Unaudited)	Change
<b>Operations</b>			
Revenue (HK\$'000)	1,260,697	1,235,047	+2.1%
Gross profit (HK\$'000)	197,835	180,106	+9.8%
Gross profit margin	15.7%	14.6%	+1.1pp
Profit for the period (HK\$'000)	42,523	31,140	+36.6%
Basic earnings per Share (HK cents)	2.17	1.58	+37.3%
	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Change
<b>Financial position</b>			
Net asset (HK\$'000)	1,717,609	1,689,673	+1.7%
Gearing ratio (Note)	19.5%	23.1%	-3.6pp

Note:

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

## INFORMATION FOR INVESTORS

### Share Information

Board lot size:	2,000 Shares
Shares outstanding as at the last trading day of 2024 interim period:	1,958,381,828 Shares
Market capitalisation as at the last trading day of 2024 interim period:	HK\$483,720,312
Closing Share price as at the last trading day of 2024 interim period:	HK\$0.247
Basic earnings per Share for the six months ended 30 June 2024:	HK2.17 cents

### Key Date

Announcement of 2024 Interim Results:	29 August 2024
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### Investor Relations Contact

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

### Shareholder Enquiries

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

Tricor Tengis Limited

Address	:	17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong
Telephone	:	(852) 2980 1333
Fax	:	(852) 2810 8185
E-mail address	:	is-enquiries@hk.tricorglobal.com
Website	:	<a href="http://www.tricoris.com">http://www.tricoris.com</a>

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

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

### Introduction

We have reviewed the interim financial information set out on pages 9 to 38, which comprises the interim condensed consolidated statement of financial position of Shougang Century Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2024 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected 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” issued by the Hong Kong Institute of Certified Public Accountants. 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, 29 August 2024

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	6	<b>1,260,697</b>	1,235,047
Cost of sales	8	<b>(1,062,862)</b>	(1,054,941)
Gross profit		<b>197,835</b>	180,106
Other income	6	<b>3,906</b>	4,602
Other gains, net	7	<b>7,485</b>	7,258
Selling and distribution expenses	8	<b>(67,052)</b>	(64,959)
Administrative expenses	8	<b>(28,915)</b>	(27,572)
Research and development expenses	8	<b>(53,995)</b>	(52,192)
Net reversal of impairment losses/(net impairment losses) on financial assets	14(c)	<b>469</b>	(1,267)
Finance costs, net	9	<b>(13,641)</b>	(12,143)
Profit before income tax		<b>46,092</b>	33,833
Income tax expense	10	<b>(3,569)</b>	(2,693)
Profit for the period attributable to the owners of the Company		<b>42,523</b>	31,140
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		<b>(14,587)</b>	(26,920)
Total comprehensive income for the period attributable to the owners of the Company		<b>27,936</b>	4,220
		<b>HK cents</b>	HK cents
Earnings per share for profit for the period attributable to the owners of the Company			
– Basic	11(a)	<b>2.17</b>	1.58
– Diluted	11(b)	<b>2.17</b>	1.12

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	13(a)	43,575	43,728
Property, plant and equipment	13(b)	1,227,429	1,251,122
Right-of-use assets		2,795	416
Land use rights		121,896	124,604
Prepayments and deposits		5,389	30,325
Deferred income tax assets		12,288	10,026
<b>Total non-current assets</b>		<b>1,413,372</b>	<b>1,460,221</b>
<b>Current assets</b>			
Inventories		380,370	350,013
Trade receivables	14	686,477	645,519
Bills receivables	14	734,509	713,917
Prepayments, deposits and other receivables		38,711	45,339
Derivative financial instruments		1,789	–
Pledged bank deposits		27,007	20,002
Bank balances and cash		159,760	77,138
<b>Total current assets</b>		<b>2,028,623</b>	<b>1,851,928</b>
<b>Total assets</b>		<b>3,441,995</b>	<b>3,312,149</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		124	140
Lease liabilities		1,851	–
Deferred income tax liabilities		29,541	27,733
<b>Total non-current liabilities</b>		<b>31,516</b>	<b>27,873</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2024

	Notes	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and bills payables	15	880,606	795,445
Other payables and accruals	16	284,971	304,427
Current income tax liabilities		3,851	6,105
Bank borrowings	17	522,489	487,537
Lease liabilities		953	446
Derivative financial instruments		–	643
<b>Total current liabilities</b>		<b>1,692,870</b>	1,594,603
<b>Total liabilities</b>		<b>1,724,386</b>	1,622,476
<b>EQUITY</b>			
Share capital	18	1,215,798	1,215,798
Reserves		501,811	473,875
<b>Total equity</b>		<b>1,717,609</b>	1,689,673
<b>Total equity and liabilities</b>		<b>3,441,995</b>	3,312,149

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	(Unaudited)						Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note (i))	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC reserve funds HK\$'000 (Note (ii))	(Accumulated losses)/ Retained profits HK\$'000	
<b>For the six months ended 30 June 2024</b>							
At 1 January 2024	1,215,798	23,990	164,712	201,252	102,671	(18,750)	1,689,673
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	42,523	42,523
<b>Other comprehensive loss</b>							
Exchange differences arising on translation into presentation currency	-	-	-	(14,587)	-	-	(14,587)
Total comprehensive (loss)/income for the period	-	-	-	(14,587)	-	42,523	27,936
At 30 June 2024	1,215,798	23,990	164,712	186,665	102,671	23,773	1,717,609

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

For the six months ended 30 June 2024

	(Unaudited)						Total HK\$'000
	Share capital HK\$'000	Capital reserve HK\$'000 (Note (i))	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC reserve funds HK\$'000 (Note (ii))	Accumulated losses HK\$'000	
<b>For the six months ended 30 June 2023</b>							
At 1 January 2023	1,215,798	23,990	170,390	209,062	98,703	(60,200)	1,657,743
<b>Comprehensive income</b>							
Profit for the period	-	-	-	-	-	31,140	31,140
<b>Other comprehensive loss</b>							
Exchange differences arising on translation into presentation currency	-	-	-	(26,920)	-	-	(26,920)
Total comprehensive (loss)/income for the period	-	-	-	(26,920)	-	31,140	4,220
<b>Transaction with owners in their capacity as owners</b>							
Transfer to PRC reserve funds (Note (iii))	-	-	-	-	3,968	(3,968)	-
At 30 June 2023	1,215,798	23,990	170,390	182,142	102,671	(33,028)	1,661,963

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Notes:

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	94,466	59,013
PRC corporate income tax paid, net	(6,192)	(8,404)
<b>Net cash generated from operating activities</b>	<b>88,274</b>	50,609
<b>Cash flows from investing activities</b>		
Placement of pledged bank deposits	(27,154)	(90,135)
Withdrawal of pledged bank deposits	19,996	109,487
Purchase of property, plant and equipment	(20,439)	(24,334)
Prepayments for the acquisition of property, plant and equipment	(10,956)	(16,961)
Proceeds from disposals of property, plant and equipment	518	453
Interest received	1,296	985
<b>Net cash used in investing activities</b>	<b>(36,739)</b>	(20,505)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	768,289	547,870
Repayment of bank borrowings	(730,983)	(440,370)
Interest paid	(4,747)	(9,117)
Payments for principal elements of lease liabilities	(577)	(638)
Payments for interest elements of lease liabilities	(24)	(38)
Settlement of convertible bonds	-	(128,520)
<b>Net cash generated from/(used in) financing activities</b>	<b>31,958</b>	(30,813)
Net increase/(decrease) in cash and cash equivalents	83,493	(709)
Cash and cash equivalents at 1 January	77,138	145,807
Exchange losses on cash and cash equivalents	(871)	(4,491)
<b>Cash and cash equivalents at 30 June</b>	<b>159,760</b>	140,607

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

This condensed consolidated interim financial information has not been audited.

### 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual consolidated financial statements, accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2024 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:



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

### 2. BASIS OF PREPARATION (continued)

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

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

### 3. ACCOUNTING POLICIES

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

#### 3.1 Amendments and interpretations adopted by the Group

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

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

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

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

### 3. ACCOUNTING POLICIES (continued)

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

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

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

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

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

### 4. FAIR VALUE ESTIMATION

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2024 and 31 December 2023 by level of valuation techniques used to measure its fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

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

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

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

### 4. FAIR VALUE ESTIMATION (continued)

#### 4.1 Financial instruments in level 2

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

#### Valuation techniques used to derive level 2 fair values

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

### 5. SEGMENT INFORMATION

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

Segment results represent the profit or loss of each segment without allocation of changes in fair value of financial liability at fair value through profit or loss and derivative financial instruments, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits, finance costs and rental and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

### 5. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment:

#### For the six months ended 30 June 2024

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

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

### 5. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2023

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

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

**6. REVENUE AND OTHER INCOME**

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

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

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

### 7. OTHER GAINS, NET

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

### 8. EXPENSES BY NATURE

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

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



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

### 9. FINANCE COSTS, NET

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

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

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

### 10. INCOME TAX EXPENSE

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

Income tax is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. No provision for Hong Kong profits tax for the six months ended 30 June 2024 and 2023 as there is no assessable profit subject to Hong Kong profits tax for both periods.

Pursuant to the Corporate Income Tax Law of the PRC effective from 1 January 2008 (the "CIT Law"), companies in the PRC are subject to income tax of 25% unless preferential rate is applicable.

If a subsidiary is subject to CIT and qualified as High and New Technology Enterprise, the applicable CIT tax rate is 15%. The applicable CIT tax rate for Jiaxing Eastern Steel Cord Co., Ltd ("JESC") and Tengzhou Eastern Steel Cord Co., Ltd ("TESC") was 15% for the six months ended 30 June 2024 and 2023.

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

### 11. EARNINGS PER SHARE

#### (a) Basic

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

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

#### (b) Diluted

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

For the six months ended 30 June 2023, convertible bonds issued are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue to the mature date in February 2023. The convertible bonds have not been included in the determination of basic earnings per share.

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

### 11. EARNINGS PER SHARE (continued)

#### (b) Diluted (continued)

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

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

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

### 12. DIVIDENDS

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

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

### 13. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

#### (a) Investment properties

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

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

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

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

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

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

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

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

### 14. TRADE RECEIVABLES AND BILLS RECEIVABLES

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

#### (a) Trade receivables

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

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

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

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

#### (b) Bills receivables

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

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

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

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

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

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



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

### 15. TRADE AND BILLS PAYABLES

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

#### (a) Trade payables

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

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

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

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

#### (b) Bills payables

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

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

### 16. OTHER PAYABLES AND ACCRUALS

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

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

### 17. BANK BORROWINGS

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

The Group's bank borrowings were repayable as follows:

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

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

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

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

### 18. SHARE CAPITAL

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

Notes:

- (a) During the six months ended 30 June 2023, 344,000 repurchased shares for approximately HK\$69,000 were cancelled in February 2023.
- (b) During the six months ended 30 June 2024, 10,522,000 repurchased shares for approximately HK\$2,319,000 were cancelled in January 2024.

### 19. CAPITAL COMMITMENTS

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

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

### 20 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Consultancy fees paid and payable	1,380	1,380
Settlement of convertible bonds	–	128,520
Amount placed with Shougang Group Finance Co. Ltd	15,035	–

As at 30 June 2024, amount due to Shougang Group was approximately HK\$3,910,000 (31 December 2023: HK\$2,530,000).

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

### 20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

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

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

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

##### (a) Transaction and balance with a shareholder

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Royalty expenses	1,682	2,175

As at 30 June 2024, amount due to a shareholder was approximately HK\$1,714,000 (31 December 2023: HK\$944,000).

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

### 20 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

##### (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Director fees	–	–
Salaries and other benefits	2,731	2,731
Retirement benefit scheme contributions	18	18
	<b>2,749</b>	2,749

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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

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

### Business Review

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

For the six months ended 30 June 2024, the steel cord segment sold 120,658 tonnes of steel cords and increased by 13.5% as compared to 106,264 tonnes in the same period last year. In respect of the sales of sawing wire products, it increased by 12.0% from 376 tonnes to 421 tonnes for the corresponding period last year attributable to our persistent effort in exploring new customers as well as the improvement of the photovoltaic, sapphire, and magnetic material markets. There was a 30.4% increase in the sales of our other wire products from 4,816 tonnes to 6,282 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Review (continued)

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review

#### Revenue

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

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

#### Gross profit

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Financial Review (continued)

#### *Other gains, net*

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

#### *Selling and distribution expenses*

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

#### *Administrative expenses*

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

#### *Research and development expenses*

Research and development expenses of the Group amounted to HK\$53,995,000 for the period, increased by HK\$1,803,000 as compared to HK\$52,192,000 for the same period last year. Such expenses were all incurred by the steel cord segment.

### Treasury and Funding Policies

The treasury and funding policies of the Group concentrate on the management of liquidity and the monitoring of financial risks, including interest rate risk, currency risk and counterparty risk. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a viable financial position.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Share Capital, Liquidity and Financial Resources

#### *Share capital and net asset value*

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

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

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

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

#### *Debt and liquidity ratios*

Gearing ratio (calculated as total interest bearing borrowings less bank balances and cash (including pledged bank deposits) divided by Shareholders' equity) of the Group decreased from 23.1% as at 31 December 2023 to 19.5% as at 30 June 2024. The current ratio (calculated as current assets divided by current liabilities) of the Group maintained at 1.2 times as at 30 June 2024 and 31 December 2023. We are committed to improving our liquidity ratios in order to attain a vibrant and yet manageable position to facilitate a sustainable growth of our business.

### Foreign Currency and Interest Rate Exposures

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

### Capital Commitments

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

### Business Development Plan

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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

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

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

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

### Contingent Liabilities and Pledge of Assets

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Business Outlook

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

- To continue the construction of our production lines at TESC to facilitate the expansion plan of an additional 100,000 tonnes of steel cords manufacturing capacity within the 14th Five-Year Plan;
- To expand high-end customers and establish an international market network to achieve expanded global operations;
- By taking into consideration the Chinese government's regulations on energy conservation and emission reduction, the constant increase in output of electric cars drives demand for their accessorial tyres, which will in turn expedite the market expansion of steel cords for domestic radial tyres and bring a more ample room for development to steel cord industry in the long term; and
- To reduce carbon emissions through reduction of energy consumption, application of clean energy, research and development on low-carbon products, the application of new technologies and new equipment and so on, the Group can achieve the green, low-carbon and sustainable corporate development and fulfil social responsibilities.

## INTERIM DIVIDEND

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

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

As at 30 June 2024, save for the interest of the Directors in the Shares set out as below, none of the Directors and chief executives of the Company had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

### Long position in Shares

#### Ordinary shares of the Company

<b>Name of Director</b>	<b>Total number of Shares held</b>	<b>Approximate% of the total number of issued Shares</b>	<b>Capacity in which interests are held</b>
Yang Junlin	226,000	0.01	Beneficial owner

Save as disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of the Company's associated corporations at 30 June 2024.



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

As at 30 June 2024, 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
Fair Union	894,349,179	45.67	Beneficial owner
Shougang HK	894,349,179	45.67	interests of controlled corporations <i>Note (1)</i>
Shougang Group	975,522,451	49.81	Interests of controlled corporations <i>Note (2)</i>
Bekaert Combustion	250,000,000	12.77%	Beneficial owner
Bekaert	250,000,000	12.77%	Interests of controlled corporations <i>Note (3)</i>
Li Ka Shing Foundation	100,000,000	5.11%	Beneficial owner

Notes:

- (1) As Fair Union is Shougang HK's wholly-owned subsidiary, by virtue of the SFO, Shougang HK is deemed to be interested in 894,349,179 Shares held by Fair Union.
- (2) As Shougang Group is the ultimate holding company of Shougang HK and Capital Industrial Financial, by virtue of the SFO, Shougang Group is deemed to be interested in 894,349,179 Shares held by Fair Union, the wholly-owned subsidiary of Shougang HK, and is deemed to be interested in 8,446,000 Shares held by Lyre Terrace Management Limited, a wholly-owned subsidiary of Capital Industrial Financial. By virtue of the SFO, Shougang Group is also deemed to be interested in 72,727,272 Shares held by Jingxi Holdings, a wholly-owned subsidiary of Shougang Fund, which is a wholly-owned subsidiary of Shougang Group.
- (3) 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.

## SHARE OPTION SCHEME

Neither the Company nor its subsidiaries had any share option scheme during the six months ended 30 June 2024.

## 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. Zhao Yue** (“Mr. Zhao”) was appointed as an executive Director and the vice chairman of the Company with effect from 12 August 2024. Mr. Zhao currently pursuing a master’s degree in EMBA at School of Management, Fudan University, holds a master’s degree in electrical and computer engineering from The George Washington University and a bachelor’s degree in communications engineering from Nanjing University of Information Science and Technology. From March 2016 to November 2023, Mr. Zhao held various senior positions at Xingda International Holdings Limited (stock code: 1899, a company listed on the main board of the Stock Exchange and its subsidiaries, including, among others, managing director of European branch, president of North American branch, deputy general manager and general manager of the international trade business department, etc. In all, over the years, Mr. Zhao has been engaged in the sales of steel cord and has extensive experience in international sales, market development and overseas operations management.

Other than the directorship and position disclosed above, Mr. Zhao does not hold any position with the Company and/or its subsidiaries, and has not held any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders.

A service contract was entered into between Mr. Zhao and the Company for a fixed term commencing from 12 August 2024 and ending on 31 December 2026 (the “Service Contract”). However, he will hold office until the forthcoming annual general meeting of the Company, at which time he will be eligible for re-election in accordance with the articles of association of the Company (the “Articles”) and thereafter will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The emoluments of a Director are determined with reference to his experience and duties, his role played on the Board, the Company’s performance and profitability, the remuneration benchmark in the industry and the prevailing market conditions. Pursuant to the Service Contract, Mr. Zhao voluntarily waives any director’s emoluments.

**Mr. Zhang Dan** currently serves as a managing director of Shougang Fund, a general manager of the merger and acquisition department of Shougang Fund, a general manager of Jingxi Holdings and a general manager of Beijing Shouxi Investment Management Co., Ltd.

## CORPORATE GOVERNANCE CODE

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

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

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

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

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

The Company has approved and adopted the SCHL 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 SCHL Code during the period under review.

## CORPORATE GOVERNANCE CODE (continued)

### Audit Committee

The Company's audit committee comprises three independent non-executive Directors, namely Mr. Lam Yiu Kin, Mr. Feng Yaoling and Ms. Ho Shuk Ying, Sabrina. Mr. Lam Yiu Kin 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 risk management and internal control systems of the Group and monitoring the independence and objectivity 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 2024. 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 2024.

In summary, the audit committee has reviewed the unaudited interim results for the six months ended 30 June 2024. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### APPRECIATION

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

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

Hong Kong, 29 August 2024

*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>.*

## DEFINITIONS

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

“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the SFO)
“Bekaert Combustion”	Bekaert Combustion Technology B.V., a wholly-owned subsidiary of Bekaert, a substantial Shareholder (as defined under the SFO)
“Board”	the board of Directors
“Capital Industrial Financial”	Capital Industrial Financial Services 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
“Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Company”/“Shougang Century”	Shougang Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Convertible Bonds”	the 4% unsecured fixed coupon convertible bonds in the aggregate principal amount of HK\$150,000,000 due 2022 (extendable to 2024) issued by the Company to Jingxi Holdings pursuant to the Subscription Agreement
“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Fair Union”	Fair Union Holdings Limited, a wholly-owned subsidiary of Shougang HK
“Group”	the Company and its subsidiaries
“HKD”/“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

## DEFINITIONS (continued)

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	Shougang Century Holdings Limited’s internal management and control manual adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Jingxi Holdings”	Jingxi Holdings Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Fund
“Li Ka Shing Foundation”	Li Ka Shing Foundation Limited, a “charitable body” within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial Shareholders (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 C3 to the Listing Rules
“pp”	percentage point(s)
“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCHL Code”	Shougang Century Holdings Limited’s Model Code for Securities Transactions by Directors and Specified Individuals adopted in 2004 and revised from time to time thereafter
“SCHL Corporate Governance Code”	Shougang Century Holdings Limited’s Code on Corporate Governance (revised from time to time)

## DEFINITIONS (continued)

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Fund”	Beijing Shougang Fund Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of Shougang Group
“Shougang Group”	Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission), a controlling shareholder (as defined under the Listing Rules) of the Company
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with Limited Liability, a substantial shareholder (as defined under the SFO) of the Company
“Stock Exchange/HKEx”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds by Jingxi Holdings pursuant to the terms and subject to the conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 December 2018 entered into between the Company and Jingxi Holdings in relation to the Subscription
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“USD”	United States dollars, the lawful currency of the United States of America
“%”	per cent