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SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

HIGHLIGHTS

For the six months ended 30 June

	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	Change
Operations			
Revenue (Note (a))	862,997	1,095,773	-21.2%
Gross profit (Note (a))	152,758	181,821	-16.0%
Gross profit margin (Note (a))	17.7%	16.6%	+1.1pp
Adjusted EBITDA (Note (b))	101,562	123,816	-18.0%
Profit for the period	35,863	35,201	+1.9%
Basic earnings per Share (HK cents)	1.87	1.83	+2.2%
	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000	Change
Financial position			
Net asset	1,396,219	1,415,072	-1.3%
Gearing ratio (Note (c))	40.6%	50.8%	-10.2pp

Notes:

- (a) Such item excludes discontinued operation.
- (b) Adjusted EBITDA, a non-HKFRS measure, represents profit before income tax, loss from discontinued operation, finance costs (excluding foreign exchange difference on borrowings and convertible bonds), depreciation, amortisation and change in fair value of a financial liability at fair value through profit or loss.
- (c) Gearing ratio represents total interest bearing borrowings less bank balances and cash (including pledged bank deposits) is divided by total equity.

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
Continuing operations			
Revenue	6	862,997	1,095,773
Cost of sales	8	(710,239)	(913,952)
Gross profit		152,758	181,821
Other income	6	2,454	3,243
Other losses, net	7	(7,981)	(72)
Distribution and selling expenses	8	(41,904)	(39,486)
Administrative expenses	8	(26,650)	(28,388)
Research and development expenses	8	(30,068)	(36,854)
Foreign exchange gains/(losses), net		5,183	(77)
Changes in fair values of investment properties	13(a)	(1,503)	114
Reversal of net impairment losses/(net impairment losses) on financial assets	14(c)	2,507	(7,808)
Finance costs, net	9	(17,690)	(33,011)
Profit before income tax		37,106	39,482
Income tax (expense)/credit	10	(1,101)	89
Profit from continuing operations		36,005	39,571
Discontinued operation			
Loss from discontinued operation	20	(142)	(4,370)
Profit for the period		35,863	35,201
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share for profit from continuing operations attributable to the owners of the Company			
- Basic	11	1.88	2.06
- Diluted	11	1.88	2.06
Earnings per share for profit for the period attributable to the owners of the Company			
- Basic	11	1.87	1.83
- Diluted	11	1.87	1.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000 (Restated)
Profit for the period		<u>35,863</u>	<u>35,201</u>
Other comprehensive (loss)/income arising from continuing operations			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences arising on translation into presentation currency		(32,804)	(6,223)
Revaluation of leasehold land and buildings	13(b)	1,281	(92)
Recognition of deferred income tax (liability)/asset on revaluation of leasehold land and buildings		(261)	37
		<u>(31,784)</u>	<u>(6,278)</u>
Other comprehensive loss arising from discontinued operation			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange difference arising on the translation into presentation currency	20	(772)	(174)
Total comprehensive income for the period, net of tax		<u><u>3,307</u></u>	<u><u>28,749</u></u>
Total comprehensive income/(loss) for the period arising from:			
- Continuing operations		4,221	33,293
- Discontinued operation	20	(914)	(4,544)
		<u><u>3,307</u></u>	<u><u>28,749</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
ASSETS			
Non-current assets			
Investment properties	13(a)	52,023	54,093
Property, plant and equipment	13(b)	1,055,004	1,078,262
Right-of-use assets		975	1,569
Land use rights		92,522	95,627
Intangible assets		-	-
Prepayments for the acquisition of property, plant and equipment		10,619	10,464
Total non-current assets		1,211,143	1,240,015
Current assets			
Inventories		270,691	294,981
Trade receivables	14	528,902	579,443
Bills receivable	14	613,795	898,284
Prepayments, deposits and other receivables		23,614	29,463
Pledged bank deposits		30,300	53,921
Bank balances and cash		67,651	47,811
Total current assets		1,534,953	1,903,903
Total assets		2,746,096	3,143,918
LIABILITIES			
Non-current liabilities			
Other payables		524	487
Bank borrowings	18	-	210,241
Lease liabilities		-	404
Deferred income tax liabilities		25,844	25,853
Total non-current liabilities		26,368	236,985
Current liabilities			
Trade and bills payables	15	497,376	707,010
Other payables and accruals	16	157,276	169,104
Current income tax liabilities		3,196	3,493
Loan from a related company	17	-	57,644
Bank borrowings	18	508,193	400,461
Lease liabilities		1,014	1,205
Financial liability at fair value through profit or loss	19	156,454	152,944
Total current liabilities		1,323,509	1,491,861
Total liabilities		1,349,877	1,728,846
EQUITY			
Share capital	21	1,191,798	1,191,798
Reserves		204,421	223,274
Total equity		1,396,219	1,415,072
Total equity and liabilities		2,746,096	3,143,918

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION

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

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

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

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

This condensed consolidated interim financial information has not been audited.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements, accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. ACCOUNTING POLICIES

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

3.1 New and amended standards and interpretations adopted by the Group

A number of new or amended standards became effective for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19 Related Rent Concession
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Hedge Accounting

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

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

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

None of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

4. FAIR VALUE ESTIMATION

The table below analyses the Group's financial instrument carried at fair value as at 30 June 2020 and 31 December 2019 by level of valuation techniques used to measure its fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's financial liability that is measured at fair value as at 30 June 2020 and 31 December 2019:

	(Unaudited)			
	Level 1	Level 2	Level 3	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
As at 30 June 2020				
Financial liability at fair value through profit or loss				
- Convertible bonds	-	-	156,454	156,454
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Audited)			
	Level 1	Level 2	Level 3	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
As at 31 December 2019				
Financial liability at fair value through profit or loss				
- Convertible bonds	-	-	152,944	152,944
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

4.1 Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial instruments for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Financial liability at fair value through profit or loss		
- Convertible bonds		
At beginning of the period	152,944	-
Issuance of convertible bonds	-	150,000
Settlement	(3,000)	-
Fair value loss recognised in profit or loss (<i>Note 7</i>)	6,510	1,763
At end of the period	156,454	151,763

Specific valuation techniques used to value level 3 financial instruments include techniques such as Black-Scholes model with Trinomial Tree method.

The Group has engaged the independent and professionally qualified valuers to perform the valuations of financial instruments required for financial reporting purposes, including level 3 fair values.

Quantitative information about fair value measurements using significant unobservable inputs (level 3):

(a) Financial liability at fair value through profit or loss – Convertible bonds

The key unobservable assumptions used in the valuation of the convertible bonds as at 30 June 2020 and 31 December 2019 are:

Valuation techniques	Unobservable inputs	As at	As at
		30 June 2020	31 December 2019
		(Unaudited)	(Audited)
Black-Scholes model with Trinomial Tree method	Risk-free rate	0.74%	1.99%
	Volatility	48.93%	50.51%

If the risk-free rate increased by 1%, the impact on profit would be HK\$2,183,000 higher. The higher the risk-free rate, the lower the fair value.

If the volatility increased by 5%, the impact on profit would be HK\$2,887,000 lower. The higher the volatility, the higher the fair value.

5. SEGMENT INFORMATION

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

The Group's operating and reportable segment under HKFRS 8 Operating Segments is steel cord segment comprising the manufacturing of steel cords.

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC (*Note 20*).

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

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

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

	Steel cord (Unaudited) <i>HK\$'000</i> (Restated)
Sales of goods:	
Segment revenue from external customers	<u>1,094,905</u>
Segment results	82,396
Unallocated amounts	
Rental income	868
Other gains, net and foreign exchange gains, net	1,667
Changes in fair values of investment properties	114
Expenses	(12,552)
Finance costs, net	<u>(33,011)</u>
Profit before income tax	39,482
Income tax credit	<u>89</u>
Profit from continuing operations	39,571
Loss from discontinued operation	<u>(4,370)</u>
Profit for the period	<u><u>35,201</u></u>

6. REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i> (Restated)
Continuing operations		
Revenue		
Sales of goods:		
Manufacturing of steel cords	862,235	1,094,905
Rental income	762	868
	<u>862,997</u>	<u>1,095,773</u>
Other income		
Government grants (<i>Note</i>)	814	807
Sales of scrap materials	1,476	1,647
Others	164	789
	<u>2,454</u>	<u>3,243</u>

Note: Government grants represented immediate financial subsidies granted by the local government in the PRC and Hong Kong.

7. OTHER LOSSES, NET

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i> (Restated)
Continuing operations		
Net fair value (losses)/gains on derivatives held for trading	(706)	1,954
Fair value loss on a financial liability at fair value through profit or loss	(6,510)	(1,763)
Losses on disposals of property, plant and equipment, net	(130)	(205)
Others	(635)	(58)
	<u>(7,981)</u>	<u>(72)</u>

8. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i> (Restated)
Continuing operations		
Cost of inventories sold (excluding reversal of provision for inventories, net)	705,463	904,936
Employee benefit expense (including directors' emoluments)	94,893	106,916
Depreciation of property, plant and equipment	42,116	51,907
Depreciation of right-of-use assets	576	599
Amortisation of land use rights	1,267	2,286
Auditor's remuneration		
- Audit services	728	728
- Non-audit services	428	428
Reversal of provision for inventories, net	(958)	(222)

9. FINANCE COSTS, NET

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i> (Restated)
Continuing operations		
Finance income		
Interest income on bank deposits	407	360
Finance costs		
Interest expenses on bank borrowings	(12,486)	(21,826)
Interest expenses on loan from a related company	(670)	(4,643)
Interest expenses on lease liabilities	(35)	(65)
Amortisation of loan transaction costs	(796)	(1,246)
Foreign exchange losses on borrowings and financial liability at fair value through profit or loss	(4,110)	(5,591)
	<u>(18,097)</u>	<u>(33,371)</u>
Finance costs, net	<u>(17,690)</u>	<u>(33,011)</u>

10. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Current income tax:		
- China corporate income tax	4,853	484
Overprovision in prior periods	(3,772)	(647)
Total current income tax	<u>1,081</u>	<u>(163)</u>
Deferred income tax	20	74
Income tax expense/(credit)	<u>1,101</u>	<u>(89)</u>
Income tax expense/(credit) is attributable to:		
- Continuing operations	1,101	(89)
- Discontinued operation (<i>Note 20</i>)	-	-
	<u>1,101</u>	<u>(89)</u>

Income tax is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year. No provision for Hong Kong profits tax for the six months ended 30 June 2020 and 2019 as there is no assessable profit subject to Hong Kong profits tax for both periods.

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

If a subsidiary is subject to CIT and qualified as High and New Technology Enterprise (“HNTE”), the applicable CIT tax rate is 15%. The applicable CIT tax rate for Jiaying Eastern Steel Cord Co., Ltd (“JESC”) and Tengzhou Eastern Steel Cord Co., Ltd (“TESC”) was 15% for the six months ended 30 June 2020 and 2019.

11. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
		(Restated)
Profit/(loss) attributable to the owners of the Company used in calculating basic earnings per share		
- Continuing operations (<i>HK\$'000</i>)	36,005	39,571
- Discontinued operation (<i>HK\$'000</i>)	(142)	(4,370)
	35,863	35,201
	1,915,102,270	1,922,900,556
Weighted average number of ordinary shares in issue (<i>shares</i>)		
From continuing operations attributable to the owners of the Company (<i>HK cents</i>)	1.88	2.06
From discontinued operation (<i>HK cents</i>)	(0.01)	(0.23)
Basic earnings per share attributable to the owners of the Company (<i>HK cents</i>)	1.87	1.83

(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 (2019: two categories) of potentially dilutive ordinary shares: convertible bonds (*Note 19*) (2019: share options and 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 2020 and 2019, as the outstanding share options and convertible bonds would result in anti-dilution at earnings per share, the diluted earnings per share equals the basic earnings per share.

12. DIVIDENDS

At a board meeting held on 24 March 2020, the directors recommended the payment of a final dividend of HK1 cent per ordinary share, totalling approximately HK\$19,064,000, which was paid in June 2020.

No interim dividend has paid or proposed for the six months ended 30 June 2020 and 2019.

13. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

The movement of the net book amount for investment properties is as follows:

	Leasehold land and buildings (Unaudited) <i>HK\$'000</i>
At 1 January 2019	55,449
Changes in fair values recognised in profit or loss	114
Exchange differences	(115)
At 30 June 2019	<u>55,448</u>
At 1 January 2020	54,093
Changes in fair values recognised in profit or loss	(1,503)
Exchange differences	(567)
At 30 June 2020	<u>52,023</u>

(b) Property, plant and equipment

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

	(Unaudited) HK\$'000
At 1 January 2019	1,166,333
Additions	14,224
Disposals	(1,169)
Depreciation	(51,920)
Revaluation	(92)
Exchange differences	(4,387)
At 30 June 2019	<u>1,122,989</u>
At 1 January 2020	1,078,262
Additions	41,558
Disposals	(668)
Depreciation	(42,129)
Revaluation	1,281
Exchange differences	(23,300)
At 30 June 2020	<u>1,055,004</u>

As at 30 June 2020, buildings located in the PRC amounting to HK\$184,489,000 (31 December 2019: HK\$189,388,000) is pledged to secure bank borrowings.

14. TRADE RECEIVABLES AND BILLS RECEIVABLE

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade receivables (<i>Note (a)</i>)	547,287	600,817
Less: provision for impairment losses on trade receivables (<i>Note (c)</i>)	<u>(18,385)</u>	<u>(21,374)</u>
	528,902	579,443
Bills receivable (<i>Note (b)</i>)	<u>613,795</u>	<u>898,284</u>
	<u>1,142,697</u>	<u>1,477,727</u>

(a) Trade receivables

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

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Up to 90 days	361,000	407,713
91 to 180 days	129,822	156,211
Over 180 days	56,465	36,893
	547,287	600,817

(b) Bills receivable

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

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Up to 90 days	79,082	103,376
91 to 180 days	240,048	320,396
Over 180 days	294,665	474,512
	613,795	898,284

As at 30 June 2020, the Group's bills receivable mature within one year (31 December 2019: same).

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

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

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
At beginning of the period	21,374	20,124
(Reversal of net impairment losses)/net impairment losses on trade receivables for the period		
- Continuing operations	(2,507)	7,808
- Discontinued operation (<i>Note 20</i>)	(67)	1,651
Exchange differences	(415)	(82)
At end of the period	<u>18,385</u>	<u>29,501</u>

15. **TRADE AND BILLS PAYABLES**

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Trade payables (<i>Note (a)</i>)	417,239	569,666
Bills payable (<i>Note (b)</i>)	80,137	137,344
	<u>497,376</u>	<u>707,010</u>

(a) **Trade payables**

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Up to 30 days	111,367	135,320
31 to 90 days	138,427	193,141
91 to 180 days	124,256	203,667
181 to 365 days	38,296	36,221
Over 365 days	4,893	1,317
	<u>417,239</u>	<u>569,666</u>

(b) Bills payable

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

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Up to 30 days	18,283	34,607
31 to 90 days	-	50,827
91 to 180 days	61,854	51,910
	<u>80,137</u>	<u>137,344</u>

16. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Contract liabilities	972	1,586
Accrued wages and salaries	18,944	22,921
Other tax payables	12,738	5,472
Payables for property, plant and equipment	76,759	77,146
Other accruals	4,090	3,653
Other payables	43,773	58,326
	<u>157,276</u>	<u>169,104</u>

17. LOAN FROM A RELATED COMPANY

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Loan from Shougang (Hong Kong) Finance Company Limited (<i>Note</i>)	-	57,644
	<u>-</u>	<u>57,644</u>

Note:

As at 31 December 2019, the amount represented 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 was unsecured, bore interest at 4.5% per annum and repayable within one year. The loan has been settled in full during the six months ended 30 June 2020.

18. BANK BORROWINGS

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Bank loans	399,934	445,840
Less: loan transaction costs	(797)	(1,593)
	<u>399,137</u>	<u>444,247</u>
Discounted bills with recourse	109,056	166,455
	<u>508,193</u>	<u>610,702</u>
Non-current portion	-	210,241
Current portion	508,193	400,461
	<u>508,193</u>	<u>610,702</u>
Secured	136,425	194,363
Unsecured	371,768	416,339
	<u>508,193</u>	<u>610,702</u>

The Group's bank borrowings were repayable as follows:

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Within 1 year	508,193	400,461
Between 1 and 2 years	-	210,241
	<u>508,193</u>	<u>610,702</u>

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

As at 30 June 2020, the carrying amount of fixed rate bank loans is HK\$508,193,000 (31 December 2019: HK\$610,702,000).

The discounted bills with recourse carry fixed rate.

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

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Effective interest rate per annum:		
Fixed rate borrowings	<u>2.15% to 5.44%</u>	<u>2.55% to 5.44%</u>

19. FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The holder of the Convertible Bonds has:

- (i) the option to demand the Company to redeem the Convertible Bonds on 11 February 2022 (the “Original Maturity Date”) at 100% of the principal amount outstanding plus any accrued and unpaid interest;
- (ii) the option to convert the Convertible Bonds into ordinary shares of the Company at a conversion price derived on certain conditions at the date of conversion falling 6 months from the Issuance Date and up to the maturity date of the Convertible Bonds; and
- (iii) the option to extend the Original Maturity Date twice by one year each to the date falling on 11 February 2024.

The Convertible Bonds, together with the abovementioned options, were designated as a financial liability at fair value through profit or loss.

The Convertible Bonds are initially recognised at the fair value as financial liability at fair value through profit or loss. The fair value of the Convertible Bonds as at 30 June 2020 and 31 December 2019 were valued by the independent and professionally qualified valuer, Greater China Appraisal Limited. The valuation was determined using Black-Scholes model with Trinomial Tree method.

20. DISCONTINUED OPERATION

In September 2019, the Group discontinued the processing and trading of copper and brass products business in the PRC. Accordingly, the financial results of the discontinued business are presented in the condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income as discontinued operation in accordance with HKFRS 5 “Non-current Assets Held for Sales and Discontinued Operations” issued by the HKICPA. Comparative figures have been restated. The financial performance presented is for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Expenses	(209)	(2,719)
Reversal of net impairment losses/(net impairment losses) on financial assets (<i>Note 14(c)</i>)	67	(1,651)
Loss before income tax	(142)	(4,370)
Income tax expense (<i>Note 10</i>)	-	-
Loss from discontinued operation	(142)	(4,370)
Other comprehensive loss		
Exchange differences arising on translation into presentation currency	(772)	(174)
Total comprehensive loss from discontinued operation	(914)	(4,544)

21. SHARE CAPITAL

	Number of shares Thousand	HK\$'000
Issued and fully paid:		
At 1 January 2019, 30 June 2019 and 1 January 2020	1,922,901	1,191,798
Cancellation of shares (<i>Note</i>)	(18,384)	-
At 30 June 2020	1,904,517	1,191,798

Note:

During the six months ended 30 June 2020, the Company repurchased 14,594,000 of its own shares. The total amount paid for the share repurchase was approximately HK\$3,096,000 and was charged to retained earnings within shareholders' equity. All of the repurchased 18,384,000 shares were cancelled during the six months ended 30 June 2020.

22. CAPITAL COMMITMENTS

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (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	<u>138,300</u>	<u>143,513</u>

23. STATEMENT REQUIRED BY SECTION 436(3) OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) (THE "COMPANIES ORDINANCE") IN RELATION TO THE PUBLICATION OF THE NON-STATUTORY ACCOUNTS FOR THE COMPARATIVE FINANCIAL INFORMATION INCLUDED IN THIS CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The financial information relating to the year ended 31 December 2019 that is included in this condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the manufacturing of steel cords for radial tyres, sawing wire and other wire products. For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$862,997,000 (2019: approximately HK\$1,095,773,000), representing a decrease of approximately 21.2% as compared with the last corresponding period. Nevertheless, the Group maintained a steady net profit of HK\$35,863,000 for the period as compared to HK\$35,201,000 same period last year.

BUSINESS REVIEW

The Group has faced severe challenges in the first half of 2020. Apart from the ongoing trade dispute between China and the U.S., the novel coronavirus (“COVID-19”) outbreak in early 2020 delayed production of numerous enterprises after the Chinese New Year. This caused China’s economic growth to shrink by 6.8% in the first quarter of 2020 compared to that of the same quarter of the previous year. Mitigated by the reopening of businesses from mid-April 2020, the Chinese government reported a growth of 3.2% in the gross domestic product (the “GDP”) in the second quarter of 2020. Overall, the Chinese government reported a decline of 1.6% in the GDP for the first-half of 2020 year on year.

As a result, the steel cord segment sold 83,405 tonnes of steel cord during the period, decreased by 15.3% as compared to 98,482 tonnes in the same period last year. In respect of the sales of sawing wire, it increased substantially by 286.5% from 37 tonnes to 143 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 4.2% decrease in the sales of our other wire products from 4,605 tonnes to 4,410 tonnes for the corresponding period. The sales volume of this segment for the period is analysed as follows:

	Six months ended 30 June				% change
	2020	% of total sales volume of steel cord	2019	% of total sales volume of steel cord	
Steel cords for:					
- truck tyres	56,721	68.0	65,182	66.2	-13.0
- off the road truck tyres	2,542	3.1	3,263	3.3	-22.1
- passenger car tyres	24,142	28.9	30,037	30.5	-19.6
Total for steel cords	<u>83,405</u>	<u>100.0</u>	<u>98,482</u>	<u>100.0</u>	-15.3
Sawing wire products	143		37		+286.5
Other steel wires	<u>4,410</u>		<u>4,605</u>		-4.2
Total	<u>87,958</u>		<u>103,124</u>		-14.7

In respect of sales of steel cord by region, the volume of export sales amounted to 16,742 tonnes for the period, decreased by 21.2% as compared to 21,250 tonnes for the same period last year. This is because the World Health Organization in March 2020 declared COVID-19 as a global pandemic which led to different levels of lockdown and quarantine measures around the world and has severely disrupted global economic activities. The volume of export sales represented 20.1% of total sales volume for the period, compared to 21.6% for the same period last year. The breakdown of sales volume of steel cord for the period by geographical location is as follows:

	2020		2019		% change
	Sales volume (Tonne)	% of total sales volume of steel cord	Sales volume (Tonne)	% of total sales volume of steel cord	
PRC	66,663	79.9	77,232	78.4	-13.7
Export sales:					
Asia (other than PRC)	9,756	11.7	12,485	12.7	-21.9
EMEA (Europe, Middle East and Africa)	4,676	5.6	5,664	5.8	-17.4
North America	1,792	2.2	1,989	2.0	-9.9
South America	518	0.6	1,112	1.1	-53.4
Total export sales	16,742	20.1	21,250	21.6	-21.2
Total	83,405	100.0	98,482	100.0	-15.3

FINANCIAL REVIEW

Revenue

Revenue for the continuing operations of the Group amounted to HK\$862,997,000 (2019: HK\$1,095,773,000) for the period, decreased by 21.2% over the same period last year. The breakdown of revenue of the Group for the period is as follows:

	2020		2019		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord/wire products	862,235	99.9	1,094,905	99.9	-21.3
Property rental	762	0.1	868	0.1	-12.2
Total	862,997	100.0	1,095,773	100.0	-21.2

Gross profit

Gross profit for the continuing operations of the Group decreased by 16% over the same period last year to HK\$152,758,000 (2019: HK\$181,821,000), mainly because of the abovementioned decrease in revenue of the steel cord segment. However, gross profit margin of the Group increased by 1.1 percentage points to 17.7% for the period as compared to the same period last year primarily due to the drop in raw material prices and our incessant cost cutting measures. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June				
	2020		2019		
	<i>HK\$'000</i>	Gross profit margin (%)	<i>HK\$'000</i>	Gross profit margin (%)	% change
Steel cord/wire products	152,046	17.6	180,997	16.5	-16.0
Property rental	712	93.4	824	94.9	-13.6
Total	152,758	17.7	181,821	16.6	-16.0

Distribution and selling expenses

Distribution and selling expenses for the continuing operations amounted to HK\$41,904,000 (2019: HK\$39,486,000) for the period, increased by 6.1% over the same period last year, mainly due to the 25% tariff on our products imposed by the U.S. since May 2019.

Administrative expenses

Administrative expenses for the continuing operations amounted to HK\$26,650,000 (2019: HK\$28,388,000) for the period, decreased by 6.1% as compared to the same period last year mainly due to stricter cost control.

Research and development expenses

Research and development expenses for the continuing operations, were related to steel cord segment, of the Group amounted to HK\$30,068,000 for the period, decreased by 18.4% as compared to HK\$36,854,000 for the same period last year in line with the abated revenue as our tyre customers suspended production and testing of various construction types.

TREASURY AND FUNDING POLICIES

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

Surplus funds of the Group are generally placed on short term deposits denominated in HKD, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group principally comprises short 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

Share capital and net asset value

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

There was a decrease in the total number of issued shares of the Company during the period due to cancellation of repurchased shares. The total number of issued shares of the Company was 1,904,516,556 Shares at 30 June 2020 (at 31 December 2019: 1,922,900,556 Shares). Net asset value of the Group was HK\$1,396,219,000 at 30 June 2020, decreased slightly by 1.3% as compared to HK\$1,415,072,000 at 31 December 2019. The decrease in net asset value was mainly due to the depreciation of RMB during the first half of 2020. Net asset value per Share was HK\$0.73 at 30 June 2020, also decreased by 1.4% as compared to HK\$0.74 at 31 December 2019.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK\$97,951,000 at 30 June 2020, decreased by 3.7% as compared to HK\$101,732,000 at 31 December 2019. Total interest bearing borrowings of the Group (comprised of loan from a related company, bank borrowings and convertible bonds) were HK\$664,647,000 at 30 June 2020, decreased by 19.1% as compared to HK\$821,290,000 at 31 December 2019. The amount of net interest bearing borrowings (total interest bearing borrowings less bank balances and cash) therefore decreased from HK\$719,558,000 at 31 December 2019 to HK\$566,696,000 at 30 June 2020.

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 50.8% at 31 December 2019 to 40.6% at 30 June 2020. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.16 times at 30 June 2020 as compared to 1.28 times at 31 December 2019. We are committed to improving our liquidity ratios in order to attain a vibrant and yet manageable position to facilitate a sustainable growth of our business.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's source of revenue is mainly denominated in EUR, RMB and USD, while those of purchases and payments are mainly denominated in RMB and HKD. During the period under review, the Group managed its exchange rate exposures of EUR and USD denominated assets against RMB by entering into the foreign currency hedging contracts to sell EUR and USD against RMB with aggregate notional amount of EUR8,000,000 and USD10,000,000 respectively. These contracts were fully fixed before 30 June 2020.

In respect of exposure to interest rate risk, the interest bearing borrowings for the six months ended 30 June 2020 were at fixed rates. Therefore, the Group has not entered into any interest rate swaps on the floating rate borrowings. In light of the relatively lacklustre economic data published lately, the prevailing market view is a low interest rate environment will persist and hence, we do not anticipate to conduct any interest rate swaps in the near term.

We will review and adjust the currency composition of our interest bearing borrowings from time to time to minimise our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimise our exchange and interest rate risks when needed, such as entering into new derivative financial instruments to hedge the risk of RMB exchange rate in the second half of 2020.

CAPITAL COMMITMENTS

At 30 June 2020, the Group had commitments in respect of property, plant and equipment amounted to approximately HK\$138,300,000.

BUSINESS DEVELOPMENT PLAN

In 2019, TESC entered into agreements with the relevant governmental authorities of Tengzhou in relation to the investment of a construction project to be carried out on the three parcels of land through a public auction for a total consideration of RMB81,120,000 (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 (of which the construction project of production lines with annual capacity of 20,000 tonnes of brass wires (half-product or work in progress of steel cords) is an integral part) 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. The brass wire project as aforementioned is expected to be completed in 2020 and bring positive impact on the performance of the steel cord segment as some of the existing production of brass wires of JESC, which have been in use for over 20 years, incurs high maintenance and operation cost with relatively low production efficiency and quality instability.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2020, the Group had a total of 2,065 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits or loss as they are incurred. The amount charged to condensed consolidated statement of profit or loss for the period under review amounted to approximately HK\$6,335,000.

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

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

In addition, the 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. 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.

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.

During the period under review, no options were granted, exercised, cancelled and lapsed.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities at 30 June 2020.

As at 30 June 2020, the carrying amounts of assets pledged as security for bills payable and bank borrowings are:

1. Buildings with an aggregate net book value of HK\$184,489,000;
2. Land use rights with an aggregate amount of HK\$58,040,000; and
3. Bank deposit of HK\$30,300,000.

BUSINESS OUTLOOK

The COVID-19 pandemic has caused unprecedented and expansive havoc to the world in recent history let alone the suspension of socio-economic activities. China appeared to be the first country which endeavoured to restart normalcy in late first quarter of 2020. While the PRC domestic market began to show traction in regaining momentum under the watchful measures in containing the spreading of the infection, the Central Government also rolled out a series of fiscal and financial subsidies to help businesses to expedite the recovery process. Our 2020 interim result is able to come in line with that of 2019 despite a discernible drop of sales tonnage is part and partial attributable to such timely assistance. The pandemic not only changes how we look at personal hygiene and our socializing behaviour, it has also caused us to rethink our sales strategy and the way we conduct our business in the future. The second half of the year will be challenging but we, Shougang Century, are inured to challenges and will be vigilant and resourceful to convalesce our financial performance and cashflow in line with that of 2019 by: -

- Continuing the stringent prevention measures to ensure our compliance with the relevant requirements by the local government authorities and our production be uninterrupted. We are pleased with our effort in containing the spreading of COVID-19 in our various plants and offices which recorded no infection to date;
- Ensuring the completion of the 20,000 tonnes brass wire facility within the year to augment our production proficiency. The expansion of a further 100,000 tonnes steel cord capacity within the 14th Five Year Plan remains undeterred but the progress will be subject to the prevailing market condition and our financial wherewithal;
- Revamping our production process with automation where possible to reduce risk of contracting health hazard elements; and
- Expanding our sales effort but prioritizing on the domestic market and developing new export relationships in countries less affected by the pandemic.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2020. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased an aggregate of 14,594,000 ordinary shares for a total consideration of approximately HK\$3,095,536 (excluding relevant trading costs directly attributable to share repurchase) on the Stock Exchange. All the aforesaid repurchased shares were cancelled. Details of the shares repurchased are as follows:

Month of repurchase in 2020	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January	2,044,000	0.218	0.196	426,918
February	3,486,000	0.24	0.214	793,364
March	600,000	0.207	0.202	122,668
April	5,224,000	0.215	0.199	1,091,632
May	1,340,000	0.21	0.205	279,214
June	1,900,000	0.205	0.199	381,740
	<u>14,594,000</u>			<u>3,095,536</u>

Save as disclosed above, neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

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

In the opinion of the Board, the Company has complied with all the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the six months ended 30 June 2020, except for deviations from code provisions A.2.1 and D.1.4 of the Code as below:

Deviation from code provision A.2.1 of Code

The roles of chairman and managing director in the Company are performed by Mr. Su Fanrong (“Mr. Su”) which constitutes the deviation from the code provision A.2.1 of the Code which stipulates that the roles of chairman and managing director should be separate and should not be performed by the same person. In consideration of Mr. Su’s extensive knowledge and experience in various aspects, in particular the management in the steel industry and sales area, the Board considers this present arrangement still enables the Company to make decisions promptly in the formulation and implementation of the Company’s strategies in achieving corporate goals. Notwithstanding the deviation, the Board is of the view that there are sufficient checks and balances amongst the Board to reach decisions in the interests of the Company and its Shareholders as a whole. The Board will review the management structure from time to time and the need to separate the roles of the chairman of the Board and the managing Director into two individuals.

Deviation from code provision D.1.4 of Code

According to the subscription agreement and further agreement dated 22 September 2006 and 24 February 2015 respectively entered into by the Company and Bekaert, Bekaert nominated Mr. 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.

APPRECIATION

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

DEFINITIONS

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

“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
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder (as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) of the Company
“Board”	the board of Directors
“Code”	the Corporate Governance Code as set out in Appendix 14 to the 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
“Director(s)”	the director(s) of the Company
“EUR”	Euros, the lawful currency of the participating states within the European Union
“Group”	the Company and its subsidiaries
“HKD/HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited’s Code on Corporate Governance (revised from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“U.S.”	The United States of America
“USD”	United States dollars, the lawful currency of the U.S.
“%”	per cent.

By order of the Board
Shougang Concord Century Holdings Limited
SU Fanrong
Chairman and Managing Director

Hong Kong, 17 August 2020

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

Mr. Su Fanrong (Chairman and Managing Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Liao Jun (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).

This interim results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/scCentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2020 Interim Report will be despatched to Shareholders and made available on the above websites in due course.