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首程控股有限公司  
SHOUCHENG HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 697)

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

### FINANCIAL HIGHLIGHTS

- The Group recorded revenue of HK\$639 million, representing an increase of 148% from the same period of last year, whereas revenue attributable to the Group’s parking business has increased by 75% and revenue attributable to the Group’s infrastructure and real estate fund management business has increased by 248%.
- The Group recorded loss attributable to owners of the Company of HK\$1,395 million as compared to profit attributable to owners of the Company of HK\$441 million in the same period of last year, due to the provision for impairment of HK\$1,776 million for the period in respect of an associate of the Company, Shougang Resources, which took into account the recent market performance of Shougang Resources and the Group’s future plans.
- The basic loss per share for the period was HK19.23 cents, representing a decrease of HK25.83 cents compared to basic earnings per share of HK6.60 cents in the same period of last year.
- The diluted loss per share for the period was HK19.23 cents, representing a decrease of HK25.78 cents compared to diluted earnings per share of HK6.55 cents in the same period of last year.

The Board has declared an interim dividend in the total amount of HK\$300 million for the six months ended 30 June 2021 (2020: HK\$300 million).

### INTERIM RESULTS

The board of directors (the “**Board**”) of Shoucheng Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2021. These interim results have been reviewed by the Company’s Audit Committee and Auditor.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>638,721</b>	257,924
Cost of sales		<b>(287,179)</b>	(218,441)
<b>Gross profit</b>		<b>351,542</b>	39,483
Other income		<b>158,382</b>	49,563
Other gains, net		<b>28,057</b>	2,087
Write-off of a trade receivable	7	<b>(59,972)</b>	–
Administrative expenses		<b>(112,756)</b>	(89,957)
<b>Operating profit</b>		<b>365,253</b>	1,176
Finance costs		<b>(37,726)</b>	(41,703)
Provision for impairment of an investment	6	<b>(1,776,215)</b>	–
Share of results of associates		<b>17,316</b>	136,648
Share of results of joint ventures		<b>101,939</b>	334,707
<b>(Loss)/profit before income tax</b>		<b>(1,329,433)</b>	430,828
Income tax expense	4	<b>(70,535)</b>	(5,818)
<b>(Loss)/profit for the period</b>		<b><u>(1,399,968)</u></b>	<b><u>425,010</u></b>
<b>(Loss)/profit is attributable to:</b>			
Owners of the Company		<b>(1,394,710)</b>	440,992
Non-controlling interests		<b>(5,258)</b>	(15,982)
		<b><u>(1,399,968)</u></b>	<b><u>425,010</u></b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)**

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Exchange differences arising on translation of foreign operations		<b>14,790</b>	(34,003)
Share of exchange differences of associates and joint ventures arising on translation of foreign operations		<b>5,188</b>	(11,927)
<b>Item that will not be reclassified to profit or loss:</b>			
Fair value changes on financial assets at fair value through other comprehensive income (“FVOCI”)		<b>(2,878)</b>	–
Share of fair value changes on investment in equity instruments designated at FVOCI of an associate		<b>8,254</b>	(102,337)
Other comprehensive income/(loss) for the period		<b>25,354</b>	(148,267)
<b>Total comprehensive (loss)/income for the period</b>		<b><u>(1,374,614)</u></b>	<b><u>276,743</u></b>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		<b>(1,367,203)</b>	295,613
Non-controlling interests		<b>(7,411)</b>	(18,870)
		<b><u>(1,374,614)</u></b>	<b><u>276,743</u></b>
<b>(Loss)/earnings per share for (loss)/profit attributable to owners of the Company:</b>			
Basic (loss)/earnings per share ( <i>HK cents</i> )	<i>5</i>	<b>(19.23)</b>	6.60
Diluted (loss)/earnings per share ( <i>HK cents</i> )	<i>5</i>	<b>(19.23)</b>	6.55

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2021	31 December 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		55,362	39,748
Right-of-use assets		1,826,564	1,753,170
Contract assets in respect of service concession arrangements		34,710	88,274
Investment properties		159,727	158,521
Investments in associates	6	162,315	5,269,687
Investments in joint ventures		769,523	656,143
Financial assets at FVOCI		198,175	–
Financial assets at fair value through profit or loss (“ <b>FVPL</b> ”) – non-current		813,003	616,239
Financial assets at amortised cost		–	93,671
Prepayments and deposits		316,648	296,736
Deferred income tax assets		–	16
Other non-current assets		437,054	338,970
		<b>4,773,081</b>	<b>9,311,175</b>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Trade receivables	7	422,773	190,674
Prepayments, deposits and other receivables		426,509	333,564
Financial assets at FVPL – current		1,523,140	514,796
Restricted bank deposits		–	36,890
Bank balances and cash		2,819,222	3,738,533
		<b>5,191,644</b>	<b>4,814,457</b>
Asset classified as held for sale	6	3,350,474	–
		<b>8,542,118</b>	<b>4,814,457</b>
<b>Total current assets</b>			
		<b>13,315,199</b>	<b>14,125,632</b>
<b>Total assets</b>			

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

	<i>Note</i>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<i>10</i>	<b>12,546,847</b>	12,127,547
Reserves		<b>(2,124,039)</b>	(355,257)
<b>Capital and reserves attributable to owners of the Company</b>			
Non-controlling interests		<b>10,422,808</b>	11,772,290
		<b>129,330</b>	147,008
<b>Total equity</b>		<b>10,552,138</b>	11,919,298
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings – non-current		<b>471,897</b>	476,832
Lease liabilities – non-current		<b>1,060,188</b>	1,011,584
Deferred income tax liabilities		<b>19,774</b>	18,063
<b>Total non-current liabilities</b>		<b>1,551,859</b>	1,506,479
<b>Current liabilities</b>			
Trade payables	<i>8</i>	<b>380,770</b>	204,622
Other payables, provision and accrued liabilities		<b>207,851</b>	216,404
Dividend payable		<b>400,276</b>	–
Contract liabilities		<b>57,359</b>	89,070
Tax payable		<b>66,364</b>	60,831
Borrowings – current		<b>7,392</b>	6,100
Lease liabilities – current		<b>91,190</b>	122,828
<b>Total current liabilities</b>		<b>1,211,202</b>	699,855
<b>Total liabilities</b>		<b>2,763,061</b>	2,206,334
<b>Total equity and liabilities</b>		<b>13,315,199</b>	14,125,632

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and any public announcements made by the Company during the six months ended 30 June 2021.

The financial information relating to the year ended 31 December 2020 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2021 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 of the Laws of Hong Kong, “**Hong Kong Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the 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).

## 2 ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

### 2.1 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements.

#### (i) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the condensed consolidated interim statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the condensed consolidated interim statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

#### (ii) Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The Group has adopted Amendment to HKFRS 16 – COVID-19-Related Rent Concessions retrospectively from 1 January 2021. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c) there is no substantive change to other terms and conditions of the lease.

## 2 ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 2.1 Accounting policies (Continued)

#### (iii) Taxes on income

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

#### 2.1.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies and make retrospective adjustments as a result of adopting these standards.

#### 2.1.2 Impact of new standards, interpretations and amendments issued but not yet applied by the Group

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

### 2.2 Accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020, except for:

#### ***Non-current assets held for sale***

Significant judgement is required when assessing whether an asset meets the classification criteria of assets held for sale in accordance with HKFRS 5.

The Group classified an investment in an associate as asset held for sale during the period. For detail, please refer to note 6.



### 3 REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in parking business, infrastructure and real estate fund management business and investment holding.

Revenue recognised during the period are as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> (Unaudited)	<b>2020</b> <i>HK\$'000</i> (Unaudited)
<b>Revenue under HKFRS 15:</b>		
Carpark income	208,392	113,213
Revenue from service concession agreement	34,190	–
Fund management services income	99,692	101,982
Excess return from investment fund	258,120	–
Others	9,347	–
	<u>609,741</u>	<u>215,195</u>
<b>Revenue under other accounting standards:</b>		
Leasing income	29,985	42,183
Investment (loss)/gain on equity securities – unlisted	(1,005)	546
	<u>(1,005)</u>	<u>546</u>
<b>Total revenue</b>	<b><u>638,721</u></b>	<b><u>257,924</u></b>
	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> (Unaudited)	<b>2020</b> <i>HK\$'000</i> (Unaudited)
<b>Timing of revenue recognition</b>		
– Overtime	<u>609,741</u>	<u>215,195</u>

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, being the Executive Directors of the Company, that are used to make strategic decisions and resources allocation. The Group's businesses are managed according to the type of products and services they provide. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

Parking business (“ <b>Parking</b> ”)	– management and operations of car parking assets
Infrastructure and real estate fund management business (“ <b>Fund management</b> ”)	– management of private funds

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results

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

#### For the six months ended 30 June 2021 (Unaudited)

	Parking <i>HK\$'000</i>	Fund management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	272,567	356,807	9,347	638,721
Segment profit	32,088	280,151	219	312,458
<i>Segment profit includes:</i>				
Share of results of associates	–	4,906	–	4,906
Share of results of joint ventures	101,939	–	–	101,939
Central administration costs				(44,164)
Other income and gains, net				166,078
Provision for impairment of an investment				(1,776,215)
Share of results of associates				12,410
Loss before income tax				<u>(1,329,433)</u>

#### For the six months ended 30 June 2020 (Unaudited)

	Parking <i>HK\$'000</i>	Fund management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	155,396	102,528	–	257,924
Segment profit	217,660	77,007	–	294,667
<i>Segment profit includes:</i>				
Share of results of associates	–	(2,157)	–	(2,157)
Share of results of joint ventures	334,707	–	–	334,707
Central administration costs				(38,831)
Finance cost				(2,070)
Other income and gains, net				38,257
Share of results of associates				138,805
Profit before income tax				<u>430,828</u>

#### 4 INCOME TAX EXPENSE

##### Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit for the six months ended 30 June 2021 and 2020.

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2021 and 2020.

##### China enterprise income tax

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is 25% for the six months ended 30 June 2021 and 2020.

Provision for China enterprise income tax amounted to HK\$70,535,000 has been made for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$5,818,000).

#### 5 (LOSS)/EARNINGS PER SHARE

##### (a) Basic (loss)/earnings per share

The basic (loss)/earnings per share for the period is calculated by dividing the (loss)/profit 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	
	2021	2020
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited)
Basic (loss)/earnings per share attributable to the owners of the Company	<u>(19.23)</u>	<u>6.60</u>

##### (b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the period is calculated by dividing the adjusted (loss)/profit attributable to the owners of the Company which have taking into account the after income tax effect interest and other financing costs associated with dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue which have taking into account the additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Six months ended 30 June	
	2021	2020
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited)
Diluted (loss)/earnings per share attributable to the owners of the Company	<u>(19.23)</u>	<u>6.55</u>

5 (LOSS)/EARNINGS PER SHARE (CONTINUED)

(c) Reconciliations of (loss)/earnings used in calculating (loss)/earnings per share

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
<b>Basic (loss)/earnings per share</b>		
(Loss)/profit attributable to the owners of the Company used in calculating basic (loss)/earnings per share	<u>(1,394,710)</u>	<u>440,992</u>
<b>Diluted (loss)/earnings per share</b>		
(Loss)/profit attributable to the owners of the Company used in calculating basic (loss)/earnings per share	(1,394,710)	440,992
Add: interest savings on convertible bonds used in calculating diluted (loss)/earnings per share	<u>–</u>	<u>2,070</u>
(Loss)/profit attributable to the owners of the Company used in calculating diluted (loss)/earnings per share	<u>(1,394,710)</u>	<u>443,062</u>

(d) Weighted average number of shares used as the denominator

	Six months ended 30 June	
	2021 Number of share '000 (Unaudited)	2020 Number of share '000 (Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	7,251,786	6,682,538
Adjustment for calculation of diluted (loss)/earnings per share in relation to convertible bonds	<u>–</u>	<u>78,883</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share	<u>7,251,786</u>	<u>6,761,421</u>

(e) Effects of convertible bonds

Convertible bonds issued and converted during the period are considered to potential ordinary shares and have been included in the determination of diluted (loss)/earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic (loss)/earnings per share. Details relating of the convertible bonds are set out in Note 9.

The weighted average number of ordinary shares for basic (loss)/earnings per share has been stated after taking into account the effect of the share consolidation being effective on 30 March 2020.

## 6 INVESTMENTS IN ASSOCIATES

The carrying amount of significant associate as at 30 June 2021 and 31 December 2020 is as follow:

Name of entity	Place of incorporation	Principal place of operation	Measurement method	Proportion of issued shares/ registered capital held by		Carrying amount		Principal activities	
				30 June	31 December	As at	As at		
				2021	2020	30 June 2021	31 December 2020		
						HK\$'000	HK\$'000		
Shougang Fushan Resources Group Limited (“Shougang Resources”) (Note)	Hong Kong	Mainland China	Equity method	28.98%	28.98%	-	5,106,025	Coking coal mining, production and sale of coking coal products and side products	
						(Note)			

Note:

On 15 January 2021, Shoujing Yifei Holdings Limited (“**Shoujing Yifei**”), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with King Rich Group Limited (“**King Rich**”), a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”), one of the substantial shareholders of the Group, pursuant to which Shoujing Yifei has conditionally agreed to sell, and King Rich has conditionally agreed to purchase the sale shares (“**Sale Shares**”) which represent the entire issued share capital of each of Excel Bond Investments Limited (“**Excel Bond**”), Fine Power Group Limited and Fair Gain Investments Limited (collectively the “**Subject Companies**”). The Subjected Companies directly and indirectly held 1,463,962,490 shares of Shougang Resources which represents 28.98% of all issued shares of Shougang Resources and all interests of Shougang Resources held by the Group, at a consideration of HK\$3,513,509,976 (“**Proposed Disposal**”).

Completion of the Proposed Disposal is subject to and conditional upon the fulfillment of certain conditions precedent, including, amongst others, the waiver from King Rich’s and/or Shougang Holding’s obligation to make a mandatory general offer for Shougang Resources’ shares not already owned or agreed to be acquired by King Rich and its parties acting in concert (as defined in the Code on Takeovers and Mergers (“**Takeovers Code**”) issued by the Securities and Futures Commission of Hong Kong (“**SFC**”)) under Rule 26.1 of the Takeovers Code as a result of the transactions contemplated under the Sale and Purchase Agreement (“**Waiver**”) having been obtained from the SFC and remaining valid and effective.

The management expected the Proposed Disposal to be completed within one year. As a result, the entire equity interest in Shougang Resources held by the Group was reclassified as held for sale on 15 January 2021.

## 6 INVESTMENTS IN ASSOCIATES (CONTINUED)

On 18 February 2021, the Company published a supplemental announcement that the Company has been informed that King Rich and Shougang Holding did not successfully obtain a Waiver from the SFC. In response to such condition, on the same date, Shoujing Yifei and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement (the “**Amended and Restated Sale and Purchase Agreement**”) such that the Sale Shares under the Sale and Purchase Agreement was amended as relating to the entire issued share capital of Excel Bond and the consideration was revised as HK\$1,440,000,000. It was expected that at completion, Excel Bond will indirectly hold 600,000,000 shares of Shougang Resources. On 28 May 2021, the Amended and Restated Sale and Purchase Agreement and other transactions contemplated thereunder was approved in a general meeting of the Company. Despite of the revision of the Sale and Purchase Agreement above, there is no change in overall business plan of disposal of all interests of Shougang Resources held by the Group.

Equity interest in Shougang Resources classified as held for sale during the period was measured at the lower of carrying amount or fair value less cost to sell at the time of the reclassification and re-measured at each period end. It was reclassified from investment in associate to asset classified as held for sale and measured at fair value less cost to sell on 15 January 2021. It was subsequently re-measured at its fair value less cost to sell as at 30 June 2021. The total impairment loss recognised during the six months ended 30 June 2021 was HK\$1,776,215,000. The fair values of the equity interest of Shougang Resources were determined with reference to the market price of Shougang Resources as at 15 January 2021 and 30 June 2021 respectively.

## 7 TRADE RECEIVABLES

	As at <b>30 June 2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	424,996	192,897
Less: Provision for impairment on receivables	<u>(2,223)</u>	<u>(2,223)</u>
Trade receivables – net	<u><b>422,773</b></u>	<u><b>190,674</b></u>

The credit terms of trade receivables are normally 30 to 90 days as at 30 June 2021 and 31 December 2020. The following is an ageing analysis of trade receivables net of provision for impairment losses based on the invoice date at the end of the reporting period, which were similar to the respective revenue recognition dates:

	As at <b>30 June 2021</b> <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Within 60 days	302,785	117,818
61 – 90 days	19,355	34,599
91 – 180 days	45,370	38,257
181 – 365 days	<u>55,263</u>	<u>–</u>
	<u><b>422,773</b></u>	<u><b>190,674</b></u>

During the six months ended 30 June 2021, a subsidiary of the Group, which is a general partner of an investment fund, has entered into a revised limited partnership agreement with a limited partner pursuant to which the limited partner withdrew its partnership and corresponding investment stake within the investment fund. The subsidiary of the Group has recognised a management fee income amounted to approximately HK\$59,972,000 and the management fee income remained receivable from the limited partner up to the revised agreement date. This trade receivable was assessed to be uncollectible and was written off during the six months ended 30 June 2021. There was no write-off of the trade receivables during the six months ended 30 June 2020. For details of the above limited partnership agreement, please refer to the Company's voluntary announcement published on 30 May 2019.

## 8 TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Within 90 days	194,962	66,410
91 – 180 days	27,243	29,947
181 – 365 days	78,149	36,856
Over 365 days	80,416	71,409
	<u>380,770</u>	<u>204,622</u>

## 9 CONVERTIBLE BONDS

On 29 November 2019, the Company has entered into convertible bond subscription agreements (the “**CB Subscription Agreements**”) with ORIX Asia Capital Limited (“**ORIX Asia**”), Matrix Partners China V, L.P. (“**Matrix Partners V**”) and Matrix Partners China V-A, L.P. (“**Matrix Partners V-A**”) (together, the “**CB Subscribers**”). Pursuant to the CB Subscription Agreements, the Company conditionally agreed to issue and the CB Subscribers conditionally agreed to subscribe for, the zero coupon convertible bonds (the “**Convertible Bonds**”) in the aggregate principal amount of HK\$1,231,685,000. On 17 January 2020, all conditions of the CB Subscription Agreements have been fulfilled and completion of the issuance of the CB has taken place on the same date.

Pursuant to the CB Subscription Agreements, the Convertible Bonds are:

- a. convertible at the option of the CB Subscribers into ordinary shares of the Company at HK\$0.30 (subject to adjustment and before the effect of share consolidation) at any time on or after the issuance date and up to the second anniversary of the issuance date (the “**Maturity Date**”);
- b. mandatorily converted if the closing prices of the ordinary shares of the Company as quoted on the Stock Exchange of Hong Kong Limited in at least 10 trading days out of any 20 consecutive trading days are higher than or equity to 115% of the prevailing conversion price; and
- c. redeemed at their principal amount on the Maturity Date, unless they were previously redeemed, converted or cancelled.

The proceeds from the issuance of Convertible Bonds of HK\$1,231,685,000 have been split into liability and equity components on the issuance date. On the issuance date, the fair value of the liability component of the Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bonds with consideration of the Group’s own non-performance risk. Subsequently, it is measured at amortised cost basis until it is extinguished on conversion or redemption. The remainder of the proceeds are allocated to the equity component of the Convertible Bonds. Transaction cost of HK\$2,859,000 are apportioned between liability and equity components of the Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.



## 9 CONVERTIBLE BONDS (CONTINUED)

The fair value of the liability and equity components are determined based on the valuations performed by Flagship Appraisals and Consulting Limited, an independent external professional valuer, using Black-Scholes model with Binomial Tree method.

The liability and equity components recorded on the issuance date were HK\$1,106,657,000 and HK\$122,169,000 respectively.

During the six months ended 30 June 2020, interest of HK\$2,070,000 was accrued in the liability component of the Convertible Bonds.

On 17 January 2020, the Company received conversion notice from each of Matrix Partners V and Matrix Partners V-A, in respect of the exercise of the conversion rights attached to the Convertible Bonds in the principal amount of HK\$105,693,000 and HK\$10,992,000, respectively. As a result of the conversions, the Company allotted and issued 352,310,000 and 36,640,000 conversion shares (before the effect of share consolidation) to Matrix Partners V and Matrix Partners V-A, respectively on 20 January 2020.

On 4 February 2020, the Company issued a mandatory conversion notice to Mountain Tai Peak I Investment Limited (“**Mountain Tai Peak**”) (being ORIX Asia’s designated person under the relevant CB Subscription Agreement) to convert the CB in the principal amount of HK\$1,115,000,000 and as a result of the conversion, the Company allotted and issued 3,716,666,666 conversion shares (before the effect of share consolidation) to Mountain Tai Peak on 5 February 2020.

As a result of the conversions completed on 20 January 2020 and 5 February 2020, liability and equity components of HK\$1,108,727,000 and HK\$122,169,000 were transferred to ordinary shares.

## 10 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<b>Ordinary shares issued and fully paid:</b>		
At 1 January 2020 (Audited)	28,928,934	10,125,972
Issue of new shares on 17 January 2020	93,333	28,000
Conversion of convertible shares on 20 January 2020	388,950	116,414
Conversion of convertible shares on 5 February 2020	3,716,667	1,114,482
Issue of new shares on 21 February 2020	1,500,000	450,000
Shares consolidation on 30 March 2020 ( <i>Note</i> )	(27,702,307)	–
Conversion of convertible bonds on 9 September 2020	103,627	196,677
Conversion of convertible bonds on 9 October 2020	51,813	98,445
Transaction costs attributable to issue of new shares and conversion of convertible shares	–	(2,443)
	<hr/>	<hr/>
At 31 December 2020 (Audited)	7,081,017	12,127,547
Issue of new shares on 3 February 2021	210,000	426,300
Transaction costs attributable to issue of new shares	–	(7,000)
	<hr/>	<hr/>
At 30 June 2021 (Unaudited)	<u>7,291,017</u>	<u>12,546,847</u>

*Note:* On 26 March 2020, the shareholders of the Company have approved a share consolidation on the basis that every five shares into one consolidated share and become effective on 30 March 2020.

## 11 DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Declared and payable after interim period	<u>299,661</u>	<u>299,877</u>

The Board has declared an interim dividend in the total amount of HK\$300 million (equivalent of HK4.11 cents per share, based on the number of issued shares on 30 August 2021, i.e. 7,291,017,194 shares) for the six months ended 30 June 2021, which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 September 2021. The interim dividend has not been recognised as liabilities as at 30 June 2021.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend	<u>400,276</u>	<u>500,027</u>

On 26 March 2021, the Board has recommended a final dividend in the total amount of HK\$400 million for the year ended 31 December 2020 payable to shareholders whose names appear on the register of members of the Company at the close of business on 15 July 2021. The final dividend was approved at the annual general meeting held on 28 May 2021. The final dividend has been recognised as liabilities during the six months ended 30 June 2021. The final dividend for the year ended 31 December 2020 was paid on 3 August 2021.

## 12 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

### Step acquisition in a subsidiary

On 27 March 2020, the Group acquired an additional 33.136% equity interest of 北京首中停車管理有限公司 (Beijing Shouzhong Car Parking Company Limited, “**Shouzhong Parking**”) for a consideration of RMB94,410,000 (equivalent to approximately HK\$105,000,000). Upon the completion of this acquisition, the Company’s shareholding in Shouzhong Parking increased from 66.046% to 99.182%. The Group recognised a decrease in non-controlling interest of approximately HK\$71,818,000 and decrease in equity of approximately HK\$33,182,000 attributable to owners of the Company.

### Transactions with or capital injections from non-controlling interests

During the six months ended 30 June 2021, the Group has completed several transactions with non-controlling interests. The Group recognised decrease in non-controlling interest of HK\$4,504,000 and decrease in equity of HK\$1,303,000 attributable to the owners of the Company.

During the six months ended 30 June 2020, the non-controlling interests of certain non-wholly owned subsidiaries and the Group have completed several rounds of capital injections into those subsidiaries without changing the equity interests of the subsidiaries held by the non-controlling interests and the Group. As a result of the capital injections, the balance of non-controlling interests increased by HK\$70,397,000.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend in the total amount of HK\$300 million (equivalent to HK4.11 cents per share) for the six months ended 30 June 2021 (2020: HK\$300 million), which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 September 2021. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 30 September 2021 for registration. The interim dividend is expected to be paid on Friday, 29 October 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPANY OVERVIEW

During the first half of 2021, the economy recovered gradually, while it is still suffered some negative effect from the erratic pandemic. Although facing this complicated external environment, the Group's two core businesses continues to maintain a positive development trajectory, and has made steady and orderly progress in expansion. Substantial progress of Real Estate Investment Trusts (“**Public Offering REITs**”) in infrastructure fund sector has also created ample room for the development of the Group's core businesses. At the same time, the Group has firmly focused on implementing the strategic restructuring of its core businesses and decided to divest the equity interest in Shougang Fushan Resources Group Limited (“**Shougang Resources**”).

With the rapid expansion of business scale, the Group's revenue scale of core businesses has been maintained a rapid growth for the period and recorded revenue of HK\$639 million for the period, representing an increase of 148% compared to the same period of last year. The parking business of the Group has made sustained progress in business expansion, build-operate-transfer model (“**BOT model**”) has been constructed and replicated in multiple locations, the revenue of parking business has been maintained at a rapid growth rate. The infrastructure and real estate fund management business contributed a considerable and stable profit, the funds that currently managed had started to share its returns during the period, which resulted in the increment of both revenue and profit.

Taking into account of the recent market performance of Shougang Resources and the Group's future plans, the total amount of provision for impairment in Shougang Resources is HK\$1,776 million. As a result, a huge loss attributable to owners of the Company of HK\$1,395 million for the period, as compared to profit attributable to owners of the Company of HK\$441 million in the same period of last year.

The disposal of shares of the Shougang Resources (the “**Disposal**”) represents a key element of the strategic restructuring of the Group's principal businesses since 2018 by implementing the Group's overall strategy of focusing on the new core businesses. The business structure has been fully transformed from typical periodic business cycle to spanning economic business cycle, with strong cashflow, healthy and stable operation of the parking and infrastructure and real estate fund management businesses.

Although the Disposal has a negative impact on the Group's performance in 2021, such negative impact represents book loss only. The cash proceeds receivable from the Disposal shall serve to optimise the Group's asset structure and promote further expansion and development of the core businesses, which is in line with the long-term interests of the Group and the shareholders. The two core businesses remain stable profit if excluding the provision for impairment and share of result of Shougang Resources.

The Group's basic loss per share for the period was HK19.23 cents, representing a decrease of HK25.83 cents compared to profit per share of HK6.60 cents in the same period of last year. The Group's diluted loss per share for the period was HK19.23 cents, representing a decrease of HK25.78 cents compared to profit per share of HK6.55 cents in the same period of last year.

During the first half of 2021, the Group has successfully completed the placing of 210,000,000 placing shares to not less than 6 placees, raising approximately HK\$419 million. With the support from the investors, the Group has maintained a certain level of cash reserves, paving solid foundation for its future business development.

## KEY PERFORMANCES INDICATORS REVIEW

	For the six months ended 30 June	
	2021	2020
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Revenue	639	258
Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	632	568
(Loss)/profit attributable to the owners of the Company	(1,395)	441
	For the six months ended 30 June	
	2021	2020
	<i>HK cents</i>	<i>HK cents</i>
Basic (loss)/earnings per share	(19.23)	6.60
Diluted (loss)/earnings per share	(19.23)	6.55
	As at 30 June 2021	As at 31 December 2020
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total assets	13,315	14,126
Net assets	10,552	11,919
Asset – Liability ratio	20.8%	15.6%

## **FINANCIAL REVIEW**

Six months ended 30 June 2021 compared to the six months ended 30 June 2020:

### **Revenue and Cost of Sales**

With the rapid expansion of business scale, the Group recorded a significant increase in revenue and cost of sales.

The Group recorded revenue of HK\$639 million for the period, representing an increase of 148% compared to HK\$258 million for the same period of last year. The Group recorded cost of sales of HK\$287 million for this period, representing an increase of 31% compared to HK\$218 million for the same period of last year. Gross profit ratio for the period was 55.1%, representing an increase of 39.8% compared to 15.3% for the same period of last year. The increase in gross profit was mainly attributable to the significant increase in revenue as the infrastructure and real estate fund management business has recorded an excess returns of HK\$258 million during the period. Besides, while the impact of the pandemic has gradually weakened, the overall gross profit of the parking business has gradually recovered.

### **Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”)**

During the period, the EBITDA for continuing operations of the Group amounted to HK\$632 million, representing an increase of 11% as compared with HK\$568 million for the same period of last year.

### **Finance costs**

During the period, finance costs of the Group amounted to HK\$38 million, representing a decrease of 10% compared to the same period of last year.

## **Share of results of associate and the Disposal**

### *Shougang Resources*

Shougang Resources is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and is a major hard coking coal producer in Mainland China.

The carrying amount of the investments in Shougang Resources was reclassified as assets held for sale in January 2021.

The profit of the Group’s share of Shougang Resources for the period was HK\$12 million and decreased by 91% compared to HK\$139 million of share of profit of Shougang Resources in the same period of last year.

Besides, there was a provision for impairment of the Group’s holding of shares in Shougang Resources having taken into account the recent market performance of Shougang Resources and the Group’s future plans. The total amount of provision for impairment was approximately HK\$1,776 million during the period. The provision for impairment represents an accounting related adjustment and is a non-operating item and therefore it shall not bring any impact on the cash flows of the Group.

### **Taxation**

The subsidiaries of the Group engaged in parking business and infrastructure and real estate fund management business in Mainland China are subject to China enterprise income tax at a rate of 25%. Provision for taxation amounting to approximately HK\$71 million was made for the period, while provision for taxation of approximately HK\$6 million was made for the same period of last year.



## REVIEW OF OPERATIONS

Summary of net profit/(loss) contribution to the Group by operation/entity:

Operation/Entity	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	Revenue <i>HK\$ Million</i>	Profit/(loss) <i>HK\$ Million</i>	Revenue <i>HK\$ Million</i>	Profit/(loss) <i>HK\$ Million</i>
1. Parking business (before tax)	273	32	155	218
2. Infrastructure and real estate fund management business (before tax)	357	280	103	77
3. Other business (before tax)	9	–	–	–
<b>Sub-total</b>	<b>639</b>	<b>312</b>	<b>258</b>	<b>295</b>
4. Holding other business assets Shougang Resources	–	144	–	139
<b>Sub-total</b>	<b>–</b>	<b>144</b>	<b>–</b>	<b>139</b>
5. Others Corporate	–	(10)	–	(3)
<b>Sub-total</b>	<b>–</b>	<b>(10)</b>	<b>–</b>	<b>(3)</b>
6. Provision for impairment of Shougang Fushan	–	(1,776)	–	–
<b>(Loss)/profit before income tax</b>	<b>–</b>	<b>(1,330)</b>	<b>–</b>	<b>431</b>
Taxes and others	–	(65)	–	10
<b>(Loss)/profit attributable to owners of the Company</b>	<b>–</b>	<b>(1,395)</b>	<b>–</b>	<b>441</b>

## **Parking business**

The parking business was adversely affected by the fluctuation of the pandemic in the first half of 2021. The Beijing-Tianjin-Hebei Region was affected by the pandemic in Hebei from January to March, the Greater Bay Area was affected by the pandemic in Guangdong from May to June, and the Southeast Region was affected by the pandemic in Nanjing in July. The pandemic traffic control measures introduced in many places not only affected the revenue of parking assets in the city, but also affected the revenue of urban transportation hub products which were represented by airports.

Facing this unfavorable situation, on one hand, the parking business adheres to the principle of “good location, large-scale, and long-term rights” in obtaining parking assets. On the other hand, it continues to deepen lean operations and increase investment in technology. In order to stimulate the vitality and innovation at the bottom, the parking business has introduced a series of incentive mechanisms with a single parking lot as the management unit. In the development of the “SONIC” parking management system, the Group has actively introduced industry’s talents and increase the investment scale. The system functions have been continuously improved, and the scope of system’s services has been further expanded. The “cloud hosting” model has been implemented in actual application scenarios and continues to explore the realisation of data traffic.

Despite of being affected by the volatility of the pandemic, with the efforts of all employees in the parking business, revenue of HK\$273 million was still recorded in the first half of 2021, representing an increase of over 75% compared to the same period of last year. Although profit has shown a significant decline, its composition has undergone a material change. The parking spaces with property rights segment in the Greater Bay Area has contributed to a relatively large-scale of investment return. As the final ownership confirmation of the new projects will complete in the second half of the year, the investment return of first half of the year decreased as compared to the same period of last year. Under this circumstance, the parking business remains profitable and also allows the Group to see the improvement of overall risk resistance and profitability of parking business gradually enhancing under the influence of erratic pandemic.

In terms of regional development, the parking business in the four core regions of Beijing-Tianjin-Hebei Region, Southeast Region, Chengyu Region and Greater Bay Area and the airport line have maintained a satisfying growth and commissioning speed, amongst which:

- The Beijing-Tianjin-Hebei Region is not only the origin of the Group’s parking business, but also the core area with the largest scale of parking assets. In the first half of 2021, Beijing Shunyi Houshayu Project\* (北京順義後沙峪項目), Beijing Zoo Project\* (北京動物園項目), Beijing Haidian Wohuqiao Garage Project\* (北京海澱臥虎橋立體車庫項目), Beijing Xicheng Xuanwai Street Garage Project\* (北京西城宣外大街立體車庫項目) and many other projects have entered the formal operation stage, of which not only alleviates the “parking difficulty” problem in some areas, but is also recognised by the local government, further enhancing the Group’s business competitiveness in the region;
- The Southeast Region focuses on promoting the implementation of the public-private partnership (“PPP”) projects with the Qinhuai District of Nanjing, and focuses on promoting the investment of parking assets with the government cooperation fund in Jianye District of Nanjing, of which many projects are under planning and construction and are gradually in the process of implementation. In addition, it has also obtained the contract management rights of parking lots of commercial plaza in Shanghai;
- For the Chengyu Region, the Chongqing Dadukou Wanda Plaza Garage Project\* (重慶市大渡口萬達廣場配套立體車庫項目) has been officially put into operation and more projects are also gradually launched. The Group combines the local cultural characteristics and fully integrates the local vibrant culture in terms of the construction appearance and operation methods and a number of the parking lots have become the regional landmarks.
- In the airport line, the Group continues to seek expansion opportunities actively. As of the date of this announcement, the airport parking segment of Henan Zhengzhou Airport, Zhejiang Ningbo Airport, and Yunnan Zhaotong Airport have been obtained through bidding to further consolidate the leading position of airport parking management scale.

In terms of lean operations, the parking business adheres to the whole-process management concept of “extension and transportation integration”, focusing on time control, results presentation, responsibility definition, and synergy in each link from project establishment to final formal operation, and continues to optimise the process through regular review.

\* For identification purpose only

The parking business also stimulates innovation and vitality at the bottom actively. On one hand, it strengthens the communication between employees at all levels, enhances the sense of ownership of employees, and builds a good situation of “the same desires from the top to bottom, and for the future together”; on the other hand, it listens to all aspects of feedback and adjusts the warehouse-level operation incentive mechanism which keeps the mechanism highly compatible with the business. In addition, the parking business also puts proper attention on the brand and the image, and the publicity of the Group’s parking business is gradually unfolding by the texting on the barrier gates and articles in Wechat.

- The duration and scope of the impact of the pandemic in the first half of this year have shrunk significantly compared to the same period of last year. This has also led to the improvement in the revenue of the Group’s transportation hub parking lots. For example, the operating income of the airport’s parking lot projects in various regions has significantly improved compared to the same period of last year.
- The BOT projects that were promoted last year were completed and put into operation in the first half of 2021. As the construction site is selected to meet the surrounding parking demand, the Beijing Haidian Wohuqiao Garage Project\* (北京海澱臥虎橋立體車庫項目), Beijing Xicheng Xuanwai Street Garage Project\* (北京西城宣外大街立體車庫項目), Nanjing Bailuzhou Garage Project\* (南京白鷺洲立體車庫項目) and Chongqing Dadukou Garage Project\* (重慶市大渡口立體車庫項目) have shown a gratifying situation of influx of cars. In addition, more BOT products in core areas will be put into operation and construction in Beijing, Nanjing, Chengdu and other places during the year.
- For the parking lot projects under management, the parking business continued to carry forward to the review of the single parking lot. While introducing high-quality parking resources, several loss-making projects were decisively terminated; and through the deployment and reuse of personnel, the efficiency of investment and use of resources were further improved.

In terms of technology empowerment, the parking business actively continues to recruit talents of excellence in the industry, supplement the technology team, and increase research and development investment, which also caused gratifying changes in the technology business in the first half of the year. On one hand, the iterative speed of the parking operation management system has been significantly accelerated, the application scenarios of the system have been continuously expanding, and the system functions have continued to be enriched. It is equipped with large-scale of products and implementation capabilities for external output and also prepare for the provision of integrated solutions for urban static traffic in the future; on the other hand, the technology team actively negotiates and cooperates with payment channel providers and online brand platforms to continue exploring business opportunities for the realisation of data traffic.

Although the normalisation of pandemic prevention and control will increase the difficulty of parking asset expansion and increase the operating cost of parking assets in the short term. From another side, it will also encourage the parking business to accelerate its core competitiveness, especially in technology-enabled capabilities, and improves operating efficiency in a longer operating cycle and shows better operating results. With the overall recovery of the economy in Mainland China, through the joint efforts of all employees in the parking business, the Group’s parking business will achieve higher growth and better results in 2021.

\* For identification purpose only

## **Infrastructure and real estate fund management business**

In the area of infrastructure and real estate fund management, the Group adopts the real estate financial model of “funds + bases+ industries” to participate in the development, management, operation, and exit of industrial entities, to cover industrial resources by fund investments and increase the value of the assets. The infrastructure and real estate fund management business is expected to achieve a rapid development in 2021. As the 2022 Beijing-Zhangjiakou Winter Olympic Games is approaching, the Chang’an Mills project on West Chang’an Street in Beijing run by the Group will launch at the end of 2021. Also, two large-scale projects will enter into construction phrase at the end of the year. Part of the equity investments are going to enter into the exit period and bring a considerable excess return gradually. Benefit from the advance layout in the field of Public Offering REITs, with the advancement of the work on the pilot program of Public Offering REITs in Mainland China, the Group is expected to establish a first mover advantage in this field.

In the first half of 2021, benefit from the funds under management that had successively started income distribution, the recorded revenue is HK\$357 million, representing an increase of 248% as compared to the same period of last year. The recorded profit before tax is HK\$280 million, representing an increasing of 264% as compared to the same period of last year.

In terms of business expansion and lean operation, the infrastructure and real estate fund management business focused building its abilities and refining its products, whilst upholding the “precise investment + lean operation” belief, realising the transformation from fund management to asset management.

The 3 urban renewal projects currently under management have successively entered the critical stage of investment, construction and investment promotion:

- The Shouao Industrial Park project – the Chang’an Mills project on West Chang’an Street in Beijing jointly launched by the Group and Tishman Speyer (a renowned real estate developer) has entered into critical stage of the building and investment attracting. It is expected to become the first massive commercial complex at Shougang Park to serve the 2022 Beijing-Zhangjiakou Winter Olympic Games and the citizens at the surrounding areas.
- Several parcels of land at the southeast area of Shougang Park, with a construction area of approximately 240,000 square meters, which is located on the Chang’an’s golden axis, 5A Grade A office buildings in Mainland China, serving as the headquarters office of technology companies and the expansion needs of central enterprises. The project is launching product deepening design and engineering procedures, and is expected to start at the end of the year. At the same time, the pre-sale work of the first phase of the project is started according to the market position and competitive situation and key customers are reserved in good condition.
- The Shougang International Talent Community project, managed by the Group, has obtained Lot 36, Shougang Industrial Park with a construction area of approximately 200,000 square meters and is positioning with focus on the digital entertainment industry, building a traffic flowing landmark in Western District of Beijing. Preliminary preparations have been completed and construction started in August.

The Group's equity investment business centered on the parking business adheres to the concept of "keep straight and be innovative, incubating with ecology". On one hand, to be "innovative" outside the core business and earn profits for the Group through financial investments. On the other hand, to provide an ecological platform to promote innovation and incubation in core business industry. In the first half of 2021, the new investment projects of the Group relate to the intelligent driving solutions for vehicles and the related fields such as artificial intelligence chip. For some parts of funds under management, a considerable investment return is achieved and the distribution of income has commenced. In the first half of the year, one of the fund investments had started income distribution and brought excess returns of HK\$258 million to the Group at the very first time during the current period.

The launch of the pilot program of Public Offering REITs in Mainland China is once again a major innovation in asset securitization in Mainland China. The Group is ushering in the era of Public Offering REITs in Mainland China. Infrastructure assets with long-term stable cash flow are recognised as high-quality Public Offering REITs underlying assets, which are the characteristics of the Group's parking business and urban renewal assets. On 29 June 2021, the National Development and Reform Commission issued the "Notice on Further Strengthen the Pilot Program of Real Estate Investment Trust Funds (REITs) in the Infrastructure Sector", which further expanded the the pilot industry scope of Public Offering REITs and parking lot projects were included. In the future, the Group will take advantage of the pilot program of Public Offering REITs to seek new exit paths for self-owned high-quality infrastructure assets.

In the first batch of 9 Public Offering REITs strategic placement in the first half of the year, the Group as the only listed company in Hong Kong participated in 6 of them, including Zhongjin Prologis Warehousing and Logistics REIT\* (中金普洛斯倉儲物流REIT), Boshi Merchants Shekou Industrial Park REIT\* (博時招商蛇口產業園REIT), Huaan Zhangjiang Everbright Park REIT\* (華安張江光大園REIT), Soochow Suzhou Industrial Park Industrial Park REIT\* (東吳蘇州工業園區產業園REIT), Hongtu Innovation Yantian Port Warehousing and Logistics REIT\* (紅土創新鹽田港倉儲物流REIT), and Zheshang Securities Shanghai-Hangzhou-Ningbo Expressway REIT\* (浙商證券滬杭甬高速REIT). It has now achieved full coverage of the first batch of Public Offering REITs, industrial parks, warehousing and logistics and other property rights REITs. Through strategic placing investment in first batch of Public Offering REITs, the Group is expected to establish a first-mover position in the initial stage of the Public Offering REITs market. In addition, the Group will continue to operate with the concept of "precise investment + lean operation" through cooperation with the original stakeholders of Public Offering REITs, further optimize the business model of the Group.

\* For identification purpose only

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Group focuses on the parking business and infrastructure and real estate fund management business.

With significant proportion of investments in Shougang Resources, the market performance of which will lead to a certain extent affect the overall performance of the Group.

The Group formulates financial risk policies under the directives of the Board, managing financial risk, foreign currency risk, interest rate risk and trading counterparties' credit risk. The Group also targets to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Mainland China and Hong Kong, which is subject to the foreign exchange fluctuation risks of HK dollars, US dollars and Renminbi. To minimise currency exposure, foreign currency assets are usually financed in the same currency as the asset or cash flow from it through borrowings.

## LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aims to diversify its funding sources through utilisation of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

### 1. Bank Balances, Cash and Borrowings

The bank balances and cash, borrowings and debt equity ratio of the Group as at 30 June 2021 as compared to 31 December 2020 are summarised below:

	<b>As at 30 June 2021 HK\$ Million</b>	<b>As at 31 December 2020 HK\$ Million</b>
Bank balances and cash	<u><b>2,819</b></u>	<u>3,739</u>
Wealth management products and fixed income financial assets	<u><b>1,143</b></u>	<u>887</u>
Total borrowings	<u><b>479</b></u>	<u>483</u>
Equity attributable to the owners of the Company	<u><b>10,423</b></u>	<u>11,772</u>
Debt equity ratio*	<u><b>5%</b></u>	<u>4%</u>

\* *Debt equity ratio = Total borrowings/Equity attributable to the owners of the Company*

### 2. Financing Activities

As at 30 June 2021, the Group's balance of term loan financing from bank was HK\$479 million, which was for investing in the 25 years of operation rights of the parking building of the new airport in Beijing.



## USE OF PROCEEDS

1. On 11 December 2019, the Company completed the subscription of 300 million new ordinary shares (1,500 million new ordinary shares before the share consolidation with effect from 30 March 2020 (“**Share Consolidation**”)) by JD Fountain Technology (Hong Kong) Limited and received net proceeds of approximately HK\$450 million. As at the date of this announcement, (i) approximately HK\$270 million was used to pay part of the Group’s commitment contribution and lease deposits and expenses for its parking business, (ii) approximately HK\$120 million was used to invest in the Group’s infrastructure and real estate fund management business, including the Public Offering REITs in Mainland China market, and (iii) the remaining net proceeds of approximately HK\$60 million was used by the Company as general working capital.
2. On 17 January 2020, the Company completed the subscription of 18,666,666 new ordinary shares (93,333,333 shares before the Share Consolidation) (“**Shougang Subscription**”) by Shougang Holding and the subscription of the convertible bonds (“**CB Subscription**”) with an aggregate principal amount of approximately HK\$1,231,685,000 by Mountain Tai Peak I Investment Limited (“**Mountain Tai Peak**”), Matrix Partners China V, L.P. (“**Matrix Partners V**”) and Matrix Partners China V-A, L.P. (“**Matrix Partners V-A**”), and received a total net proceeds of approximately HK\$1,256 million.

As at 30 April 2021, the Company has not utilised any of the proceeds from the Shougang Subscription and CB Subscription. The Company decided to change the use of net proceeds. As stated in the section headed “Infrastructure and real estate fund management business” above, the launch of the Public Offering REITs in urban redevelopment is the Group’s priority quality parking and urban renewal asset projects have created a new exit path, which will help the Group take a step towards asset securitization. Therefore, the Company believes that more resources should be allocated to invest in Public Offering REITs in order to (i) further establish the Group’s first-mover position in the Public Offering REITs in urban redevelopment and (ii) fully understand the Public Offering REITs market, so as to prepare for the future independent issuance of Public Offering REITs. The reallocation will give the Group a greater flexibility in cash flow management, enrich its financial resources, and at the same time reserve the right to use the unused net proceeds for its original business development plan when suitable opportunities arise. This move also enables the Group to satisfy its operational needs while seizing market opportunities and optimizing the Group’s business model.

As at the date of this announcement, approximately HK\$962 million was used to invest in the Group’s infrastructure and real estate fund management business, including the Public Offering REITs in Mainland China and the Company has not utilised the remaining net proceeds and intends to apply such proceeds in the manner after the change of the use of net proceeds stated below by 2023. The Company intends to use (i) approximately HK\$250 million, or 85% of the net proceeds, to invest in the Group’s parking business, part of which will be used for the Group’s existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, especially in transportation hubs, which the Group expects to further expand its leading advantage in this segment; and (ii) approximately HK\$44 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.

3. On 21 February 2020, the Company completed the subscription of 300,000,000 new ordinary shares (1,500,000,000 shares before the Share Consolidation) (“**FTLife Subscription**”) by FTLife Insurance Company Limited (“**FTLife Insurance**”) (an indirect wholly-owned subsidiary of NWS Holdings Limited) with net proceeds of approximately HK\$450 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the FTLife Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 14 February 2020 by 2023. The Company intends to use (i) approximately HK\$270 million, or 60% of the net proceeds, to invest in the Group’s parking business, part of which will be used for the Group’s existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, especially in transportation hubs, which the Group expects to further expand its leading advantage in this segment; (ii) approximately HK\$110 million, or 25% of the net proceeds, to invest in the Group’s infrastructure and real estate fund management business; and (iii) approximately HK\$70 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.
4. On 10 August 2020, the Company completed the subscription agreement (“**Poly Platinum Subscription**”) with Poly Platinum Enterprises Limited (“**Poly Platinum**”), pursuant to which the Company has conditionally agreed to issue, and Poly Platinum has conditionally agreed to subscribe for the 1% convertible bonds, in the aggregate principal amount of HK\$300 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the Poly Platinum Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 28 July 2020 by 2023. The Company intends to use the proceeds from the Poly Platinum Subscription for financing the expansion of the Group’s parking business in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group.
5. On 27 January 2021, the Company entered into the placing agreement with Huatai Financial Holdings (Hong Kong) Limited and BOCI Asia Limited (as placing agents) to procure placees to purchase the total number of the placing shares, being 210,000,000 shares, at a placing price of HK\$2.03 per placing share. On 3 February 2021, the Company completed the placing and the subscription of 210,000,000 placing shares to not less than six placees (“**Placing and Subscription**”) with net proceeds of approximately HK\$419 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the Placing and Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 3 February 2021 by 2023. The Company intends to use (i) approximately 30% to 40% of the net proceeds, to invest in the Group’s parking business, part of which will be used for the Group’s existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, which the Group expects to further expand its leading advantage in this segment; (ii) approximately 30% to 40% of the net proceeds, to invest in the Group’s infrastructure and real estate fund management business, part of which is intended to be applied on the development plan of the Shougang Park; and the remaining proceeds for the set up of Public Offering REITs fund in urban redevelopment; and (iii) approximately 20% to 40% of the net proceeds, as general working capital and to seize business opportunities.

## MATERIAL ACQUISITIONS & DISPOSALS

Save as disclosed below, there was no other material acquisitions or disposals by the Group during the period.

### (a) Very Substantial Disposal

On 15 January 2021, Shoujing Yifei Holdings Limited (“**Shoujing Yifei**”), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”) with King Rich Group Limited (“**King Rich**”), a connected person of the Company, pursuant to which Shoujing Yifei has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the sale shares (the “**Sale Shares**”) which represent the entire issued share capital of each of Excel Bond Investments Limited (“**Excel Bond**”), Fine Power Group Limited and Fair Gain Investments Limited (collectively the “**Subject Companies**”), at a consideration of HK\$3,513,509,976. The Subject Companies directly and indirectly held 1,463,962,490 shares of the Shougang Resources which represents 28.98% of all issued shares of Shougang Resources and all interests of Shougang Resources held by the Group.

On 18 February 2021, Shoujing Yifei and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement to the effect that:

- i) The term “Sale Shares” was amended to mean one ordinary share in the issued capital of Excel Bond, which represents the entire issued share capital of Excel Bond (the “**Revised Sale Share**”). At completion, Excel Bond will indirectly hold 600,000,000 shares of the Shougang Resources which represents approximately 11.88% of all issued shares of Shougang Resources; and
- ii) Consideration for the Revised Sale Share is HK\$1,440,000,000, which reflects an indirect transfer of 600,000,000 Shougang Resources shares at a consideration of HK\$2.40 per Shougang Resources share, being the same price per Shougang Resources share as disclosed in the announcement dated 15 January 2021. As Excel Bond will cease to be a subsidiary of the Company following completion, the Group will only have indirect aggregate interest in approximately 17.10% of all issued shares of Shougang Resources upon completion of its disposal of the Revised Sale Share pursuant to the terms and conditions of the amended and restated Sale and Purchase Agreement.

For further details of the aforesaid disposal, please refer to the announcements of the Company dated 15 January 2021, 18 February 2021, 28 May 2021 and 29 July 2021 and the circular dated on 30 April 2021.

## EVENTS OCCURRING AFTER THE REPORTING PERIOD

There was no significant event occurring after the reporting period.

## **CAPITAL STRUCTURE**

The Company issued 210,000,000 new shares during the period.

As at 30 June 2021, the issued share capital of the Company was HK\$12,546,847,000 (represented by 7,291,017,194 issued ordinary shares).

## **EMPLOYEES RELATIONSHIP**

The Group has a total of 486 employees as at 30 June 2021. All subsidiaries of the Company promote equal employment opportunities. The Group strictly complies with regulations of state and local governments and adopts a fair, just, and open recruitment process in order to provide employees with an equal, diverse and discrimination-free working environment. In the process of recruitment, training and promotion, the Group provides equal treatment to all candidates to safeguard employees' rights and interests.

The Group's remuneration policy is to ensure that employees receive a fair and competitive overall remuneration package. Based on the principle of "competitive externally, fair internally", the Group has established a remuneration incentive mechanism with "fixed salary as basis and performance linked remuneration as main component" that is based on position value, ability, and contribution to performance, in order to motivate and retain existing employees. By making full use of a variety of long and short term incentives, the Group seeks to attract and retain talented employees to achieve the Group's strategic goals together.

Remuneration package are designed based on the practices of the locations of the Group's various businesses.

Remuneration package for Hong Kong employees includes salary, discretionary bonus, medical allowance, hospitalisation plans and share option scheme for subscribing for the Company's ordinary shares. All Hong Kong subsidiaries of the Company provide retirement fund scheme for Hong Kong employees as part of employee welfare.

Remuneration package for Mainland China employees includes salary, discretionary bonus, project bonus, medical allowance and share option scheme for subscribing for the Company's ordinary shares as part of employee welfare. To fully cover the needs of employees, the Group also provides social insurance welfare (i.e. pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund) as well as annual medical check for all employees according to state regulations.

In addition, to strengthen employees' sense of belonging, the Group arranges a variety of recreational activities for all employees, including a sports meeting organised by the Group to strengthen team cohesion, and a town hall meeting to commend excellent individual and team performances.

## PROSPECTS

The Group's business development and operation have overcome the challenge from the market in the first half of the year. The Group's risk resistance was strengthened under the accumulation of management experience, a favorable business foundation, the dividend policy of Public Offering REITs and the fully financial and resources support from the shareholders as always and drives to the sustainable growth under the unfavorable market. In the case that the economy is fully recovered, the Group is in the faith that the two core businesses are going to have a more rapid development in the second half of 2021.

The Group endeavours to be leading company in parking, infrastructure and real estate fund management, and technological services industries in Mainland China.

In the area of parking business, the Group upholds the principle of "key cities, core locations, quality parking spaces" and continues to steadily digging deep, promoting the municipal parking products, commercial parking products and roadside parking products to the ground in key urban regions and constructing a regional grade static all-in-one integrated traffic combined service network.

The infrastructure and real estate fund management business focused on the quality of abilities and product refinement, whilst upholding the "precise investment + lean operation" belief, and turned fund management to asset management.

At the same time, the synergy between the infrastructure and real estate fund management business and the parking business is further strengthened, which laid a solid foundation for strong development of the Group in the future. Infrastructure and real estate fund management business will be deployed continuously with smart travel, and contribute to innovation and incubation, as well as making further use of the excess returns from investment exit to complete the accumulation and aggregation of funds quickly. This will provide extended opportunities and growth and the support of the industrial chain have created strong synergies for the Group's deeply cultivated parking business.

With the advancement of the work on the pilot program of Public Offering REITs in Mainland China, infrastructure assets with good quality in parking business and infrastructure and real estate fund management business, together with the Group's ability in the fund management industry, going toward national policy orientation, high consistency of regional layout of existing good quality assets with the major districts on which policies focus, it is believed that there is a promising prospect in this industry.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2021.

## **APPRECIATION**

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period under review.

By order of the Board  
**Shoucheng Holdings Limited**  
**Zhao Tianyang**  
*Chairman*

Hong Kong, 30 August 2021

*As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Xu Liang, Mr. Li Wei (President) and Ms. Zhang Meng as Executive Directors; Mr. Liu Jingwei, Mr. Ho Gilbert Chi Hang, Mr. Li Hao and Dr. Zhao Xianming as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Ms. Zhuge Wenjing as Independent Non-executive Directors.*