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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 2020

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group was HK\$258 million, up 61% from same period last year, revenue from carpark operation business has increased by 126%.
- Profit attributable to owners (excluded results of discontinued operation) was HK\$441 million, up 45% from same period last year, the carpark operation business recorded profit for the period.
- Basic earnings per share (after the effect of the share consolidation) of continuing operations for the period was HK6.60 cents resulting an increase of 11% as compared to same period last year.
- Diluted earnings per share (after the effect of the share consolidation) of continuing operations for the period was HK6.55 cents resulting an increase of 10% as compared to same period last year..

The Board has declared an interim dividend in the total amount of HK\$300 million for the six months ended 30 June 2020 (2019: HK\$200 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 2020. These interim results have been reviewed by the Company’s audit committee and its auditor.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited) (Restated)
Continuing operations			
Revenue	4	257,924	160,447
Cost of sales		(218,441)	(73,544)
Gross profit		39,483	86,903
Other income		49,563	53,717
Other gains/(losses), net		2,087	(147)
Provision for impairment loss for trade receivables		–	(5,533)
Changes in fair value of commodity contracts		–	(3,618)
Loss on disposal of a subsidiary		–	(124,599)
Gain on bargain purchase		–	86,155
Administrative expenses		(89,957)	(84,939)
Operating profit		1,176	7,939
Finance costs		(41,703)	(8,599)
Share of results of associates	7	136,648	165,647
Share of results of joint ventures	7	334,707	89
Profit before income tax		430,828	165,076
Income tax (expense)/credit	5	(5,818)	141,112
Profit from continuing operations		425,010	306,188
Loss from discontinued operation (attributable to equity holders of the Company)	13	–	(1,508)
Profit for the period		425,010	304,680
Profit/(loss) is attributable to:			
Owners of the Company		440,992	302,797
Non-controlling interests		(15,982)	1,883
		425,010	304,680

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
	<i>Note</i>	2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited) (Restated)
Other comprehensive (loss)/income			
Items that have been/may be subsequently reclassified to profit or loss:			
Share of exchange differences of associates and joint ventures arising on translation of foreign operations	7	(11,927)	7,066
Reclassification of exchange reserve upon disposal of a subsidiary		–	(96,563)
Exchange differences arising on translation of foreign operations		(34,003)	(10,505)
Item that will not be reclassified to profit or loss:			
Share of fair value changes on investment in equity instruments designated at fair value through other comprehensive income of an associate	7	(102,337)	112,475
Other comprehensive (loss)/income for the period		(148,267)	12,473
Total comprehensive income for the period		<u>276,743</u>	<u>317,153</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		295,613	315,270
Non-controlling interests		(18,870)	1,883
		<u>276,743</u>	<u>317,153</u>
Total comprehensive income/(loss) attributable to owners of the Company:			
Continuing operations		295,613	316,778
Discontinued operation		–	(1,508)
		<u>295,613</u>	<u>315,270</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (<i>HK cents</i>)	6	6.60	5.95*
Diluted earnings per share (<i>HK cents</i>)	6	6.55	5.95*
Earnings per share for profit attributable to ordinary equity holders of the Company:			
Basic earnings per share (<i>HK cents</i>)	6	6.60	5.92*
Diluted earnings per share (<i>HK cents</i>)	6	6.55	5.92*

* Adjusted for the effect of share consolidation on 30 March 2020.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2020	31 December 2019
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		17,536	17,234
Right-of-use assets		1,914,392	1,087,452
Investment properties		146,329	148,856
Investments in associates	7	4,936,584	5,034,394
Investments in joint ventures	7	606,318	269,471
Financial assets at fair value through profit or loss – non-current		286,627	238,569
Financial assets at amortised cost		102,023	–
Prepayments and deposits		126,394	129,671
Deferred income tax assets		9,985	3,076
Other non-current assets		274,827	258,756
Total non-current assets		8,421,015	7,187,479
Current assets			
Trade receivables	8	136,892	99,294
Prepayments, deposits and other receivables		368,732	103,079
Financial assets at fair value through profit or loss – current		709,370	527,194
Restricted bank deposits		33,918	22,763
Bank balances and cash		4,165,925	3,057,215
Total current assets		5,414,837	3,809,545
Total assets		13,835,852	10,997,024

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

	30 June 2020	31 December 2019
<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
EQUITY		
Capital and reserves		
	11	
Share capital	11,832,426	10,125,972
Reserves	(679,263)	(441,667)
	<u>11,153,163</u>	<u>9,684,305</u>
Capital and reserves attributable to owners of the Company		
Non-controlling interests	118,028	138,319
	<u>11,271,191</u>	<u>9,822,624</u>
LIABILITIES		
Non-current liabilities		
Borrowings – non-current	443,498	450,957
Lease liabilities – non-current	1,159,540	397,411
Deferred income tax liabilities	32,001	36,070
	<u>1,635,039</u>	<u>884,438</u>
Total non-current liabilities		
Current liabilities		
Trade payables	9	22,324
Other payables, provision and accrued liabilities		145,005
Dividend payable		–
Contract liabilities		9,611
Tax payable		33,959
Borrowings – current		5,710
Lease liabilities – current		73,353
		<u>289,962</u>
Total current liabilities		
	<u>929,622</u>	<u>289,962</u>
Total liabilities	<u>2,564,661</u>	<u>1,174,400</u>
Total equity and liabilities	<u><u>13,835,852</u></u>	<u><u>10,997,024</u></u>

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 2020 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 2019, which has 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 2020.

The financial information relating to the year ended 31 December 2019 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2020 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

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 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

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

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

2.1 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.

2.2 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 periods of initial application. It is not yet in a position to state whether these new standards, interpretations and amendments will have a significant impact on the Group’s results of operations and financial position.

3. RESTATEMENTS DUE TO DISCONTINUED OPERATION

Certain comparative information for the six months ended 30 June 2019 has been restated to disclose the discontinued operation separately from the continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2019.

Please refer to Note 13 for the details of the discontinued operation.

4. REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in management and operations of car parking assets business, management of private funds that are oriented towards urban redevelopment business and investment holding. During the year ended 31 December 2019, the Group ceased the business of trading of iron ore and reclassified the relevant business as discontinued operation (refer to Note 13 for the details of discontinued operation). Revenue from continuing operations recognised during the periods are as follows:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Revenue under HKFRS 15:		
Carpark income	113,213	68,615
Fund management services income	101,982	81,571
Others	–	8,205
	215,195	158,391
Revenue under other accounting standards:		
Carpark leasing income	42,183	–
Investment gain on unlisted equity securities	546	2,056
	257,924	160,447
Total revenue	257,924	160,447
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Timing of revenue recognition		
– Overtime	215,195	158,391

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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

Continuing operations

Management and operations of car parking assets ("Car parking assets operations and management")	–	management and operations of car parking assets
Management of private funds that are oriented towards urban redevelopment ("Fund management")	–	management of private funds

Discontinued operation

Trading business	–	trading of iron ore
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Segment revenue and results

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 (Unaudited)

	Continuing operations			Discontinued operation	
	Car parking assets operations and management	Fund management	Sub-total	Trading business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	155,396	102,528	257,924	–	257,924
Segment profit	217,660	77,007	294,667	–	294,667
Segment profit include:					
Share of results of associates	–	(2,157)	(2,157)	–	(2,157)
Share of results of joint ventures	334,707	–	334,707	–	334,707
Other income					38,257
Central administration costs					(38,831)
Finance cost					(2,070)
Share of results of associates					138,805
Profit before income tax					430,828

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 June 2019 (Unaudited) (Restated)

	Continuing operations				Discontinued operation	
	Car parking assets operations and management <i>HK\$'000</i>	Fund management <i>HK\$'000</i>	Others <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Trading business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	68,615	83,627	8,205	160,447	137,075	297,522
Segment (loss)/profit	(14,993)	132,153	(356)	116,804	(1,508)	115,296
Segment (loss)/profit includes:						
Fair value gain on step acquisition	4,802	–	–	4,802	–	4,802
Share of results of associates	–	(3,684)	–	(3,684)	–	(3,684)
Share of results of joint ventures	89	–	–	89	–	89
Gain on bargain purchase	–	86,155	–	86,155	–	86,155
Other income						38,264
Central administration costs						(31,106)
Changes in fair value of commodity forward contracts						(3,618)
Loss on disposal of a subsidiary						(124,599)
Share of results of associates						169,331
Profit before income tax						<u>163,568</u>

5. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax and China enterprise income tax are calculated respectively at 16.5% and 25% of the estimated assessable profit for the six months ended 30 June 2020 and 2019.

Hong Kong profits tax

No provision for Hong Kong profits tax is made for the six months ended 30 June 2020 and 2019.

China enterprise income tax

Provision for China enterprise income tax amounted to approximately HK\$5,818,000 is made for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$7,243,000).

Australian capital gain tax

During the six months ended 30 June 2019, the Group reversed a provision of Australian capital gain tax amounted to HK\$148,355,000 and recognised it as an income tax credit as it was assessed that the possibility of the relevant tax being payable to the tax authority become remote.

No provision for Australian capital gain tax was made during the six months ended 30 June 2020.

6. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30 June	
	2020	2019
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited) (Restated)
Basic earnings per share attributable to the ordinary equity holders of the Company		
From continuing operations	6.60	5.95*
From discontinued operation	–	(0.03)*
	<hr/>	<hr/>
Total basic earnings per share attributable to the ordinary equity holders of the Company	6.60	5.92*

(b) Diluted earnings per share

The diluted earnings per share for the period is calculated by dividing the adjusted profit attributable to the ordinary equity holders 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	
	2020	2019
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited) (Restated)
Diluted earnings per share attributable to the ordinary equity holders of the Company		
From continuing operations	6.55	5.95*
From discontinued operation	–	(0.03)*
	<hr/>	<hr/>
Total diluted earnings per share attributable to the ordinary equity holders of the Company	6.55	5.92*

6. EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	440,992	304,305
From discontinued operation	–	(1,508)
	<u>440,992</u>	<u>302,797</u>
Total profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u><u>440,992</u></u>	<u><u>302,797</u></u>
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	440,992	304,305
Add: interest savings on convertible bonds	2,070	–
	<u>443,062</u>	<u>304,305</u>
Used in calculating diluted earnings per shares	443,062	304,305
Loss from discontinued operation	–	(1,508)
	<u>443,062</u>	<u>302,797</u>
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u><u>443,062</u></u>	<u><u>302,797</u></u>

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

	Six months ended 30 June	
	2020	2019
	<i>Number of share</i>	<i>Number of share</i>
	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	6,682,538	5,115,599*
Adjustment for calculation of diluted earnings per share in relation to convertible bonds	78,883	–*
	<u>6,761,421</u>	<u>5,115,599*</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u><u>6,761,421</u></u>	<u><u>5,115,599*</u></u>

6. EARNINGS PER SHARE (CONTINUED)

(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 earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic earnings per share. Details relating to the convertible bonds are set out in Note 10.

* The weighted average number of ordinary shares and the basic and diluted earnings per share for the six months ended 30 June 2019 and adjusted retrospectively to take into account the effect of the share consolidation completed on 30 March 2020 as if it had taken place before the beginning of the comparative period

7. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The carrying amount of investments in associates during the six months ended 30 June 2020 is as follow:

	2020 HK\$'000 (Unaudited)
Beginning of the period	5,034,394
Capital injection	1,514
Share of profits	136,648
Share of other comprehensive income	(108,617)
Dividend received from the associate during the period	<u>(127,355)</u>
End of the period	<u><u>4,936,584</u></u>

The carrying amount of investments in joint ventures during the six months ended 30 June 2020 is as follow:

	2020 HK\$'000 (Unaudited)
Beginning of the period	269,471
Capital injection	7,787
Share of profits	334,707
Share of other comprehensive income	<u>(5,647)</u>
End of the period	<u><u>606,318</u></u>

8. TRADE RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	139,515	101,917
Less: Provision for impairment loss for trade receivables	<u>(2,623)</u>	<u>(2,623)</u>
Trade receivables – net	<u>136,892</u>	<u>99,294</u>

Note:

During the period, there was no written off of the trade receivables (six months ended 30 June 2019: HK\$10,751,000).

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 60 days	72,473	54,584
61 – 90 days	28,689	20,201
91-180 days	<u>35,730</u>	<u>24,509</u>
	<u>136,892</u>	<u>99,294</u>

9. TRADE PAYABLES

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 90 days	56,492	9,121
91 – 180 days	18,603	3,004
181 – 365 days	22,313	3,603
Over 365 days	<u>40,871</u>	<u>6,596</u>
	<u>138,279</u>	<u>22,324</u>

10. CONVERTIBLE BONDS

On 29 November 2019, the Company has entered into convertible bond subscription agreements (“**the CB Subscription Agreements**”) with ORIX Asia, Matrix Partners V, L.P. and Matrix Partners V-A, L.P. (together as 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 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 Convertible Bonds has taken place on the same date.

Pursuant to the CB subscription agreement, 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 adjustments 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 Hong Kong Stock Exchange in at least ten trading days out of any 20 consecutive trading days are higher than or equal 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 similar 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 costs 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.

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 period, interest of HK\$2,070,000 was accrued in the liability component of the Convertible Bonds.

On 17 January 2020, the Company received conversion notices from each of Matrix Partners V, L.P. and Matrix Partners V-A, L.P. 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, L.P. and Matrix Partners V-A, L.P. respectively on 20 January 2020.

On 4 February 2020, the Company issued a mandatory conversion notice to Mountain Tai Peak (being ORIX Asia’s designated person under 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.

11. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2019 (Audited)	24,044,891	8,830,429
Issue of new shares on 9 April 2019	3,384,043	846,011
Issue of new shares on 11 December 2019	1,500,000	450,000
Transaction costs attributable to issue of new shares	–	(468)
	<hr/>	<hr/>
At 31 December 2019 (Audited)	28,928,934	10,125,972
Issue of new shares on 17 January 2020	93,333	28,000
Conversion of Convertible Bonds on 20 January 2020	388,950	116,414
Conversion of Convertible Bonds on 5 February 2020	3,716,667	1,114,482
Issue of new shares on 21 February 2020	1,500,000	450,000
Share consolidation on 30 March (<i>Note</i>)	(27,702,307)	–
Transaction costs attributable to issue of new shares and conversion of Convertible Bonds	–	(2,442)
	<hr/>	<hr/>
At 30 June 2020 (Unaudited)	6,925,577	11,832,426
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Note: On 30 March 2020, the Company completed a share consolidation on the basis that every five ordinary shares be consolidated into one ordinary share of the Company.

12. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Declared and payable after interim period:		
Interim dividend for the six months ended 30 June 2020 of HK4.33 cents per ordinary share after the share consolidation (six months ended 30 June 2019: HK0.73 cents per ordinary share before the share consolidation)	299,877	200,231
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The Board has declared an interim dividend in the total amount of HK\$300 million (equivalent of HK4.33 cents per share after the share consolidation) for the six months ended 30 June 2020 (2019: HK\$200 million), which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 18 September 2020. The interim dividend has not been recognised as liabilities as at 30 June 2020.

12. DIVIDENDS (CONTINUED)

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend for the year ended 31 December 2019 of HK7.22 cents per ordinary share after the share consolidation (2018: HK2.55 cents per ordinary share before the share consolidation)	500,027	699,438

On 30 March 2020, the Board has recommended a final dividend in the total amount of HK\$500 million for the year ended 31 December 2019 of HK7.22 cents per share (after share consolidation). The final dividend was approved at the annual general meeting held on 22 May 2020.

The final dividend has been recognised as liabilities during the period ended 30 June 2020 and 2019 respectively. The final dividend for the year ended 31 December 2019 and 2018 was paid on 22 July 2020 and 18 July 2019 respectively.

13. DISCONTINUED OPERATION

Upon completion of the sales of the First Commodity Contracts in August 2019, the management decided to cease the operation of the trading business of the Group. Consequently, the operating segment of trading business is reported as a discontinued operation. Financial information relating to the discontinued operation is set out below.

The financial performance and cash flow information presented are for the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	–	137,075
Cost of sales	–	(129,083)
Gross profit	–	7,992
Other gains	–	882
Administrative expenses	–	(10,264)
Finance costs, net	–	(118)
Loss before income tax	–	(1,508)
Income tax expense	–	–
Loss and total comprehensive loss for the period from discontinued operation	–	(1,508)
Net cash outflow from operating activities	(8,331)	(90,679)
Net cash inflow from investing activities	–	50,058
Net cash inflow from financing activities	–	4,090
Net decrease in cash and cash equivalents	(8,331)	(36,531)

14. 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.

Capital injections from non-controlling interests

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 HK4.33 cents per share after the share consolidation) for the six months ended 30 June 2020 (2019: HK\$200 million), which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Friday, 18 September 2020. 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 Friday, 18 September 2020 for registration. The interim dividend is expected to be paid on or about Thursday, 22 October 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

In May 2020, the Company has officially changed its name to Shoucheng Holdings Limited. "Shoucheng" inherits the spirit of daring to be the first in the world, and implies the earnest belief and common vision of "pursuing to be a front-runner in the industry and creating a promising prospect together". The new name reflects the Group's current strategic and business development direction, helps shaping the new brand image and corporate identity, and conveys to the market that the Board, management and staff wish for a bright vision of the great future.

During the period, the Group has recorded substantial growth in its operating results. Profit attributable to owners of the Company (excluded results of discontinued operation) for the period amounted to HK\$441 million, representing an increase of 45% compared to same period last year. With the number of car parking spaces managed by the Group having grown rapidly, the cumulative parking space contracted management scale for the period was approximately 106,800 units (for the six months ended 30 June 2019: 53,100 units). The revenue of car parking assets operations and management has expanded rapidly, revenue for the period was HK\$155 million, representing an increase of 126% compared to the same period last year and net profit for the period was HK\$218 million. The carpark operation business recorded profit for the period. The management of private funds that are oriented towards urban redevelopment business has grown rapidly. The cumulative fund management scale was RMB43,400 million (for the six months ended 30 June 2019: RMB40,400 million), revenue for the period was HK\$103 million (for the six months ended 30 June 2019: HK\$84 million) and net profit for the period was HK\$77 million (for the six months ended 30 June 2019: net profit excluded gain on bargain purchase was HK\$46 million), representing an increase of 22% and 67% respectively compared to the same period last year.

The basic earnings per share (after the effect of the share consolidation) of continuing operations for the period were HK6.60 cents, representing an increase of 11% compared to HK5.95 cents in the same period last year. The diluted earnings per share (after the effect of the share consolidation) of continuing operations for the period were HK6.55 cents, representing an increase of 10% compared to HK5.95 cents in the same period last year.

During the first half of the year, the Group continued to receive tremendous support from strategic investors. The Company has received additional capital contribution from its existing shareholders Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”), ORIX Corporation and its subsidiaries, NWS Holdings Limited (“**NWS Holdings**”) and its subsidiaries and Matrix Partners China V, L.P. (“**Matrix Partners V**”), raising a total of approximately HK\$1,706 million. The Group has also completed the convertible bond subscription agreement with Greater Bay Area Common Home Development Fund in August 2020, raising approximately HK\$295 million. The above have raised a total of approximately HK\$2,000 million. With the support from the investors, the Group had maintained a reliable pool of cash reserves, paving solid foundation for its future business development.

KEY PERFORMANCES AND FINANCIAL INDICATORS REVIEW

	For the six months ended 30 June	
	2020	2019
	106.8	53.1
	thousand	thousand
	units	units
Cumulative parking space contracted management scale	106.8	53.1
	thousand	thousand
	units	units
	RMB43,400	RMB40,400
	million	million
Cumulative fund management scale	RMB43,400	RMB40,400
	million	million
	258	160
	HK\$ Million	HK\$ Million
	258	160
Revenue	258	160
	568	245
Earnings before Interest, Tax, Depreciation and Amortisation of the continuing operations (EBITDA)	568	245
	441	305
Profit attributable to the owners of the Company	441	305
Results of the continuing operations	441	305
Results of the discontinued operation	–	(2)
	441	303
	6.60	5.95
Basic earnings per share*	6.60	5.95
Results of the continuing operations	6.60	5.95
Results of the discontinued operation	–	(0.03)
	6.60	5.92
	6.55	5.95
Diluted earnings per share*	6.55	5.95
Results of the continuing operations	6.55	5.95
Results of the discontinued operation	–	(0.03)
	6.55	5.92

* Adjusted pursuant to the share consolidation in March 2020

	30 June 2020	31 December 2019
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Total assets	13,836	10,997
Net assets	11,271	9,823
Bank balances and cash	4,166	3,057
Wealth management products – current	709	527
Bank borrowings	446	457

FINANCIAL REVIEW

Six months ended 30 June 2020 compared to the six months ended 30 June 2019.

Revenue and Cost of Sales

With the rapid expansion of the management and operations of car parking assets business and management of private funds that are oriented towards urban redevelopment business, the Group's continuing operations recorded significant increase in revenue and cost of sales.

For the period, the Group's continuing operations recorded revenue of HK\$258 million, representing an increase of 61% compared to HK\$160 million in the same period of last year, the revenue of car parking assets operations and management business has increased by 126%. The Group's continuing operations recorded cost of sales of HK\$218 million, representing an increase of 196% compared to HK\$74 million in the same period of last year.

Gross profit for the period of continuing operations was HK\$40 million, representing a decrease of 54% when comparing to HK\$87 million in the same period last year. Gross profit margin was 15.3% in this period, representing a decrease of 38.9% when comparing to 54.2% in the same period last year. On the one hand, the decline in gross profit was mainly attributable to the stabilization of the gross profit margin as a result of significant growth in the business size of the car parking assets operations and management business. On the other hand, as some parking projects such as those situated in airport(s) were affected by the epidemic, and gross profit has decreased. The Group has accordingly deployed active and effective measures to cope with the situation, and is going to enter into a number of rental reduction agreements after the period. It is expected that gross profit of the aforesaid projects will be effectively improved in the second half of the year.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

During the period, earnings before interest, tax, depreciation and amortisation for continuing operations of the Group was HK\$568 million, representing an increase of 132% as compared with HK\$245 million for the same period last year after further deduction of non-recurring profit and loss items. The EBITDA of the management and operations of car parking assets business was HK\$349 million, representing an increase of 1,283% as compared to the same period last year.

Finance costs

During the period, finance costs of continuing operations amounted to HK\$42 million, representing an increase of 385% over the same period last year. The increase in finance costs was primarily attributed to the increase in the business size of car parking assets operations and management, specifically, the increase in the number of car parking spaces, which resulted in the increase of lease liabilities recognised during the period, which led to an increase in financial costs.

Share of results of associates

Shougang Fushan Resources Group Limited (“Shougang Resources”)

During the period, the Group has shared a profit of HK\$139 million from Shougang Resources, representing a decrease of 15.2% as compared with the profit of HK\$164 million for the same period last year.

Taxation

The subsidiaries of the Group engaged in management and operations of car parking assets business and management of private funds that are oriented towards urban redevelopment business in mainland China are subject to China enterprise income tax at the tax rate of 25%. Provision for such tax amounting to approximately HK\$6 million was made for the period, while provision of approximately HK\$7 million was made for the same period last year. Apart from this, the Group had reversed provision for capital gain tax of approximately HK\$148 million in the same period last year.

REVIEW OF OPERATIONS

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

Operation/Entity	Attributable interest	For the six months ended	
		2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i> (Restated)
Continuing operations			
1. Management and operations of car parking assets business	100%	218	(15)
2. Management of private funds that are oriented towards urban redevelopment business	100%	<u>77</u>	<u>132</u>
Sub-total		<u>295</u>	<u>117</u>
3. Holding other business assets			
Shougang Resources	27.61%	139	164
Shougang Century	Nil (Before 9 April 2019: 35:71%)	<u>–</u>	<u>5</u>
Sub-total		<u>139</u>	<u>169</u>
4. Others			
Disposal of the equity interest of Shougang Century		–	(125)
Australian tax recoverable		–	148
Corporate and others		<u>7</u>	<u>(4)</u>
Sub-total		<u>7</u>	<u>19</u>
Continuing operations		441	305
Discontinued operation		<u>–</u>	<u>(2)</u>
Profit attributable to owners of the Company		<u>441</u>	<u>303</u>

CONTINUING OPERATIONS

Management and operations of car parking assets business

In the management and operations of car parking assets business, the Group adheres to the concepts of regional development, lean operations and technological empowerment. With the rapid expansion of business scale, the Group has initially established the four core business network which is spanned across Beijing-Tianjin-Hebei, Yangtze River Delta, Southwest Region and Greater Bay Regional Area. It has further polished core products, enriched business landscape, expanded cooperation model, and added the new business format – parking spaces with property rights based on the existing three types of business product format. Meanwhile, the Group has further increased investment in research and development, implemented technological innovations into parking spaces operations and management, and improved operational efficiency while creating new business growth points.

As of 30 June 2020, the Group has obtained more than 100,000 units parking space. With Beijing Daxing International Airport (“**Daxing Airport**”) and the Beijing Capital International Airport projects commencing operation in first half of the year, as a result, the Group’s revenue has increased significantly. While most of the new parking spaces signed in this year have not yet been put into operation and the revenue scale has not yet been fully released, revenue of this operating segment was HK\$155 million, resulting an increase of 126% compared to the same period last year. Besides, the Group’s new product line which in cooperation with Vanke Service Co., Ltd (“**Vanke**”) in the Greater Bay Area has achieved significant investment returns in the first half of the year. Net profit of this operating segment has recorded HK\$218 million and moved from a loss-making position to a profit-making position. EBITDA for the period was HK\$349 million, representing an increase of 1,283% when compared to HK\$25 million in the same period last year.

In terms of regional development, the Group continued to strengthen its project layout in the four core regions of Beijing-Tianjin-Hebei, Yangtze River Delta, Southwestern Region and Greater Bay Area. In the first half of the year, the Group has achieved sufficient growth in the above four regions, having obtained more than 30,000 units parking spaces, amongst which:

- the Baoding roadside project in the Beijing-Tianjin-Hebei region was the first city-level parking project obtained by the Group, providing 30-year parking operation services for 40 street roadside parking spaces in the core area of Baoding and a parking complex in the core area;
- Obtain the parking projects of Nanjing Jianye District and the P1 and P2 parking buildings of Shanghai Pudong International Airport through bidding continued to strengthen the Group’s competitiveness in the Yangtze River Delta;
- Obtain the parking project of Chongqing Dadukou through bidding exploited the PPP Construction project model in the Southwest region, combining the respective advantages of the Group and the local government to create a business model with benchmarking significance and reproducibility;
- in the Greater Bay Area, the Group and Vanke have jointly cooperated and formed a new business model, and successively expanded a considerable number of residential and commercial parking assets in Guangzhou and Foshan, and the asset appreciation gains have become the Group’s new profit growth point.

In terms of lean operations and technological empowerment, through studying and analysing its existing car parking assets, the Group has classified the car parking assets held by it into four major product lines, namely the municipal facilities car parking products segment, commercial car parking product segment, on-street car parking product segment, and parking spaces with property rights segment, and the Group also implants technological innovation in different segments simultaneously to create new business growth points.

As to the municipal facilities car parking products segment, the Group continued to strengthen its leading advantages. In the first half of the year, the winning bids of the Shanghai Pudong International Airport P1, P2 parking building project and the Boao Airport project represented the Group's continued leadership in the airport parking operation area, which signified that the Group had secured market recognition and has formed a positive brand image and reputation. Airports, being a large space with traffic and landmark facility, can bring along significant room for the scenario application of parking products. The Group has also fully implemented scientific and technological management in airport projects, introduced automatic parking technology, promoted the application of photovoltaic energy, and practiced green concepts; in addition to "hard" technology, it has also enhanced the travel experience through humanistic services.

In terms of commercial car parking product segment, the Group will continue to deepen the research and development of the SONIC (S-PARK Online Network Information Center) platform, which is featured with functions covering parking management, business innovation, facility management and AI + big data, so as to collect information on parking lots, set up information middle office, formulate information standards and establish parking management information system. In addition, with the account system, membership system and bonus points system, we were able to produce accurate profiles of the users and parking lots and empowered parking management with AI + big data. Coupled with the application of the "finance + advertisement + insurance + automotive aftermarket" operation mode, we made innovations to diversify income stream and provided integrated intelligent parking solutions.

In terms of on-street car parking product business, the management of dynamic traffic and static traffic is combined through intelligent operation means, which not only improves the difficulty of parking in the core area, but also improves the efficiency of on-street parking and uses the data formed by static traffic for big data analysis and assist in the management of dynamic traffic, so as to realise all-round smart traffic management in cities and regions. This product format has been applied in several districts on-street parking projects in Beijing and Baoding city-level on-street parking projects.

In the parking spaces with property rights segment, the property rights of premium project parking spaces can be obtained through cooperation with leading domestic real estate companies. In the long-term operation process, in addition to obtaining rental income, the Group is also able to benefit from asset appreciation gain. At present, this model has performed well in the actual operation of the Guangzhou project and the Foshan project.

The COVID-19 outbreak in early 2020 had a certain impact on operation of the existing parking business and the expansion of new business. In response to the adverse effects of the epidemic, the Group has also actively implemented counter measures, including to enhance staff reuse; increase investment in parking information system to reduce labor costs; gradually promote the parking membership system and product promotion to increase revenue; strive for rent-free with landlords to reduce fixed costs. With the effective control of the epidemic, revenue has gradually returned to stable, and as the Group's response measures are gradually implemented, the effect of improving gross profit will gradually be reflected in the second half of the year.

Management of private funds that are oriented towards urban redevelopment business

The Group's management of private funds that are oriented towards urban redevelopment business takes urban renewal as the main direction, under a fund model, and promotes urban renewal projects with a substantial "light" asset management model, by taking urban renewal as the main orient, and through integration of regional resources to create an experiential and composite business formats, and thereby continue to improve urban functionalities and stimulate urban vitality.

In the first half of 2020, the management of private funds that are oriented towards urban redevelopment business is growing steadily, the scale of fund management business increased by RMB3,009 million compared to the same period last year. In addition, the Nanjing Shougang Jianye Smart Parking Investment Fund with a total scale of RMB1,000 million has completed signing on 15 July 2020. The significant increase of fund management scale brought impressive management fee revenue. In the first half of 2020, this operating segment recorded revenue of HK\$103 million and net profit of HK\$77 million. The revenue contribution from newly-established fund during the period will be further released in the second half of the year.

On 30 June 2020, the Group has managed and been responsible for investing into or operating 26 funds in total, with a cumulative fund management scale of approximately RMB43,409 million. The investors of the currently managed funds include the National Council for Social Security Fund ("NSSF"), Singapore Golden Eagle Group, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial institutions, and fund investment institutions from the provincial and municipal governments such as Beijing, Nanjing, Hebei, Jilin, Sichuan, and Heilongjiang.

The Group adopts the real estate financial model of "funds + bases+ industries" to participate in the development, management, operation, and exit of industrial entities. Controlling the shareholding or investing in the enterprises in the old industrial zone will lead the concentration of high-end industries. At the end of 2019, one of the funds that the Group has managed won the bidding of the land use rights of several parcels of land at the southeast area of the New Shougang High-end Industry Comprehensive Service Park ("**Shougang Park**"), with a planned gross area of approximately 240,000 sq.m, which aimed to be developed into a quality commercial office complex. The Shouao Industrial Park (首奧產業園區) project jointly launched by the Company and Tishman Speyer (a renowned real estate developer) has commenced construction and is scheduled to be put into operation in May 2021. It is expected to become the first large-scale commercial complex at Shougang Park to serve the 2022 Beijing Winter Olympic Games and the citizens at the surrounding areas.

The synergy between the fund management business and the car parking assets and management business has further emerged. The industrial funds deployed in key areas provide good relationships, business resources and industry chains collaboration for the expansion of the parking business. In addition, with the accumulation of the Group's business in the parking industry, funds with parking business as the main direction are also gradually implementing. The Group and Nanjing Jianye District had completed the signing of the establishment of Nanjing Shougang Jianye Smart Parking Investment Fund on 15 July 2020. This is the first professional investment fund in the parking industry of our Group, with a total scale of RMB1,000 million. The establishment of the fund has successfully built a closed loop of the parking industry ecosystem, realising the full chain coverage of parking lot planning and design, investment construction, and operation management.

Another focus of the fund management business is the equity investment business. The Company's equity investment business adheres to the concept of "keep straight and be innovative, incubating with ecology", on one hand, to "innovative" outside the core business and earn profits for the Company through financial investments, and on the other hand, to provide an ecological platform to promote repeated operation and innovation and incubation in core business industry. As the fund manager, the Group typically also serves as the general partner. As per the industry practice of private fund, the general partner shall invest in a minority stake of the funds under its management so as to share its returns on investment and excess returns. In addition to the urban renewal business direction, the current equity investment business, which mainly focuses on industrial investment in areas such as smart travel, medical health, and new materials, is also rewarding at the fund level. "Li Xiang Automotive", which was officially listed on U.S. stocks market on 30 July 2020, is expected to bring excess returns to the Group during the subsequent fund withdrawal period. The Group's strategic investment in "Li Xiang Automotive" not only contributed positive returns, but also gained market reputation for the fund investment business, the fund's brand power and influence within the investment circle is expected to continue to expand. In addition to the tremendous success of the "Li Xiang Automotive" investment, the "Bayi Space" which the fund under our management has invested in, was listed on the A-shares Science and Technology Innovation Board, the investment return rate of the fund is expected to bring considerable returns. As the fund's investment projects continue to exit with benefit, the Group expects to obtain considerable and excess investment returns.

With the steady growth in the number and size of funds under management, the Group expects that in the foreseeable future, the management fee income and return on investment from the provision of fund management services will achieve a sustainable and rapid growth.

PERFORMANCE OF ASSOCIATES

Shougang Resources

Exploration and sale of coking coal

Shougang Resources is a 27.61% owned associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coal mines in Shanxi province, the PRC, namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine. Shougang Resources sold approximately 1,000 tons of raw coal and 1.47 million tons of clean coal in the current period, with a revenue of HK\$1,820 millions, a decrease of 7% compared with the same period last year. The raw coal price per ton was RMB725 (inclusive of value added tax "VAT"), while the average price of clean coal was RMB1,267 (inclusive of VAT), decrease by 24% and 11% respectively over the same period last year. The profit attributable to shareholders of Shougang Resources for the current period was HK\$549 million, compared with a profit of HK\$640 million for the same period last year. The profit of the Group's share of Shougang Resources in the current period was HK\$139 million, which reflects the stable development of Shougang Resources business under the epidemic compared with last year's share of profit of HK\$164 million.

The strong financial position of Shougang Resources with nearly zero gearing ratio and bank balances of HK\$5.09 billion enables it to improve its value when appropriate investment opportunities arise.

Customers are confident of the high-quality products of Shougang Resources which are reputed as panda coal.

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 Loans

The bank balances and cash, loans and gearing ratio of the Group as at 30 June 2020 as compared to 31 December 2019 are summarised below:

	30 June 2020 <i>HK\$ Million</i>	31 December 2019 <i>HK\$ Million</i>
Bank balances and Cash	<u>4,166</u>	<u>3,057</u>
Wealth management products – Current	<u>709</u>	<u>527</u>
Bank borrowings	<u>446</u>	<u>457</u>
Capital and reserves attributable to owners of the Company	<u>11,153</u>	<u>9,684</u>
Debt equity ratio*	<u>4%</u>	<u>5%</u>

* *Debt equity ratio = Total interest bearing liabilities/Equity attributable to the owners of the Company*

2. Major Risks and Uncertainties

The Group focus on the management and operations of car parking assets business and management of private funds that are oriented towards urban redevelopment business.

The Group is also engaged in mining and sale of hard coking coal in China by holding interests in the Hong Kong listed associate, Shougang Resources. As a vital raw material for steel refining, the sale of coking coal of Shougang Resources has close connection with the steel demand. Weak demand on steel will directly dampen the results of Shougang Resources. With significant proportion of investments in these associates, the results of which will 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. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and the Mainland China, it 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.

3. Financing Activities

As at 30 June 2020, the Group's balance of term loan financing from bank was HK\$446 million, which was for investing in the 20 years of operation rights of the parking building of the new airport in Beijing.

USE OF PROCEEDS

On 9 April 2019, the Company completed the subscription of a total of 3,384,043,134 new shares by Soteria Financial Investment Company Limited, Red Avenue Investment Group Limited and Matrix Partners China V Hong Kong Limited's designated persons and received net proceeds of approximately HK\$850 million. As at 30 June 2020, out of the HK\$850 million, approximately HK\$780 million was used to pay part of the Group's commitment contribution and lease deposits and expenses for its management and operations of car parking assets business. As at the date of this announcement, the Company has not utilised the remaining net proceeds and intends to apply such remaining net proceeds as disclosed in the announcement of the Company dated 19 March 2019. The remaining proceeds are expected to be fully applied in 2022. The Company intends to use the net proceeds for general working capital, further financing the Group's businesses in management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment, as well as for funding other potential investments by the Group in future.

On 11 December 2019, the Company completed the subscription of 1,500,000,000 new shares by JD Fountain and received net proceeds of approximately HK\$450 million ("**JD Subscription**"). As at the date of this announcement, the Company has not utilised any of the proceeds from the JD Subscription in whole or in part, and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The proceeds are expected to be fully applied by 2022. The Company intends to use (1) approximately 60% of the proceeds to invest in the Group's management and operations of car parking assets 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 hopes will further expand its leading advantage in this segment; (2) approximately 25% of the proceeds to invest in the Group's management of private funds that are oriented towards urban redevelopment business; and (3) the remaining 15% of the proceeds as general working capital and to seize business opportunities.

On 17 January 2020, the Company completed the subscription of 93,333,333 new shares (“**Shougang Subscription**”) by Shougang Holding and the subscription of the convertible bonds (“**CB Subscription**”) with an aggregate principal amount of HK\$1,231,685,000 by Mountain Tai Peak I Investment Limited (being ORIX Asia’s designated person) (“**Mountain Tai Peak**”), Matrix Partners V, L.P. and Matrix Partners V-A, L.P., and received a total net proceeds of approximately HK\$1,256 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the Shougang Subscription and CB Subscription in whole or in part, and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The proceeds are expected to be fully applied by 2023. The Company intends to use (1) approximately HK\$754 million, or 60% of the net proceeds, to invest in the Group’s management and operations of car parking assets 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 hopes will further expand its leading advantage in this segment; (2) approximately HK\$314 million, or 25% of the net proceeds, to invest in the Group’s management of private funds that are oriented towards urban redevelopment business; and (3) approximately HK\$188 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.

On 21 February 2020, the Company completed the subscription of 1,500,000,000 new shares (“**FTLife Subscription**”) by FTLife Insurance Company Limited (“**FTLife Insurance**”) (an indirect wholly-owned subsidiary of NWS Holdings) 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. The proceeds are expected to be fully applied by 2023. The Company intends to use (1) approximately HK\$270 million, or 60% of the net proceeds, to invest in the Group’s management and operations of car parking assets 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 hopes will further expand its leading advantage in this segment; (2) approximately HK\$110 million, or 25% of the net proceeds, to invest in the Group’s management of private funds that are oriented towards urban redevelopment business; and (3) approximately HK\$70 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.

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 27 July 2020. The proceeds are expected to be fully applied by 2023. The Company intends to use the proceeds from the Poly Platinum Subscription for financing the expansion of the Group’s business in management and operation of car parking assets in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group.

MATERIAL ACQUISITIONS & DISPOSALS

There was no material acquisitions and disposals by the Group during the period.

EVENTS OCCURRING AFTER THE REPORTING PERIODS

Convertible bonds

On 27 July 2020, the Company entered into a subscription agreement with Poly Platinum, an independent third party, pursuant to which the Company has conditionally agreed to issue, and Poly Platinum has conditionally agreed to subscribe 1% convertible bonds of principal amount of HK\$300,000,000, which the convertible bonds are convertible into shares of the Company at a initial conversion price of HK\$1.93 per share (subject to adjustments and after the effect of share consolidation).

On 10 August 2020, all conditions of the convertible bonds subscription agreements have been fulfilled and completion of the issuance of the convertible bonds has taken place on the same date.

CAPITAL STRUCTURE

The Company issued 5,698,949,999 new shares (before the effect of the share consolidation) during this period. On 21 February 2020, the Company announced that the Board proposes to implement the share consolidation on the basis that every five (5) ordinary shares of the Company be consolidated into one (1) ordinary share of the Company. Pursuant to an ordinary resolution passed on 26 March 2020, the share consolidation was approved by the shareholders of the Company and has become effective on 30 March 2020. Immediately after the share consolidation, the total number of issued shares of the Company was adjusted from 34,627,883,902 to 6,925,576,780.

The issued share capital of the Company was HK\$11,832,426,000 (represented by 6,925,576,780 issued ordinary shares, after the effect of the share consolidation).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 396 employees as at 30 June 2020. All subsidiaries of the Company promote equal employment opportunities, and the selection and promotion of employees depends on whether the individual meets the requirements of the relevant position.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to consider local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalisation scheme. All the subsidiaries of the Group in Hong Kong provide pension schemes to the Hong Kong employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies, welfare fund contribution and share subscription plan to subscribe for the Company's ordinary shares as part of their staff benefits. In addition, the Group continues to organise different training and development courses for its employees, and arranges a number of social, recreational and cultural activities for all employees, and its employees also actively participate in a number of meaningful community activities.

PROSPECTS

2020 has been a complicated year in terms of external business environment for enterprises. While bringing great challenges, it also brings opportunities for the Group's business integration and expansion. Our airport projects have captured new fortress, and city-level projects in cooperation with the government have opened up a new aspect. The scale of fund management has continued to grow, investment projects have begun to yield positive results, the synergy of the two business segments has been further strengthened, and the profitability has continued to improve.

The domestic car parking industry in the PRC currently has serious problems including excessive market dispersion, weak technology and low management efficiency as well as lack of leading enterprise in the industry, which represent a huge space for integration and market expansion. Meanwhile, we also notice that the industry is gaining higher market attention and increasing number of investors and large and mediumsized enterprises have invested in the industry. As the first and only listed company in China that focuses on the investment and operation of car parking assets, the Group is committed to becoming a pioneer and promoter of the car parking industry by continuing to consolidate and strengthen its existing advantage as the first-mover and increasing its investments in the car parking industry. It is expected that the Group will achieve extremely fast development in respect of car parking assets operation and management in the future.

While creating long-term and stable profits for the Company, the fund management business also contributed to the growth of the Company's urban renewal and car parking business. A unique development model of "funds + bases + industries" was formed, providing a solid foundation for the Group's robust growth in the future. In view of the strong fundraising capability and tremendous investors base (international large-scale financial institutions and provincial and municipal government investment fund of the Company), it is expected that the management service income from future private equity fund business and net profit contribution from investment exit will continue to rise as the fund size increases. In addition, through the establishment of a special parking industry fund and equity investment in the field of "travelling", it has created strong synergies with the Company's deeply cultivated parking asset management business.

The rapid development of the group benefits from the trust and support of shareholders. With the completion of a new round of financing in the first half of the year, the Group completed the convertible bond subscription agreement with the Greater Bay Area Common Home Development Fund in August 2020. While obtaining financial support, it will also form a strategic alliance. The government and corporate resources, financial strength and strategic resources of invested companies in the Greater Bay Area will help the Group further explore space for business expansion in the Greater Bay Area, acquire high-quality parking assets in the region, and accelerate the Greater Bay Area business, the expansion extends from a dotted layout to a grid and density layout, and establishes a leading position in the Greater Bay Area market, thereby forming a pattern of simultaneous development of the four core areas of Beijing-Tianjin-Hebei, Yangtze River Delta, Southwest Region and the Greater Bay Area to further consolidate the leading position of the parking industry.

We will stay committed to pursuing more speedy development of the Management and operations of car parking assets and Management of private funds that are oriented towards urban redevelopment.

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 of Hong Kong Limited (the "Stock Exchange") or otherwise) during the six months ended 30 June 2020.

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 2020.

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, 31 August 2020

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