首 長 四 方（集 團）有 限 公 司 *
SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Grand (Group) 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 STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	**2020** ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Revenue under sale and leaseback arrangements and entrusted loan arrangements	*4*	**37,784**	28,425
Consultancy service income and property leasing income	*4*	**817**	2,566
Total revenue		**38,601**	30,991
Cost of sale and leaseback arrangements and consultancy services		**(5,992)**	(9,622)
Gross profit		**32,609**	21,369
Other income	*5*	**10,339**	12,011
Other gains/(losses), net		**19**	(5)
Selling expenses		**(159)**	(218)
Administrative expenses		**(28,257)**	(26,104)
Change in fair value of investment properties		**(1,000)**	3,200
Change in fair value of financial assets at fair value through profit or loss		**(55)**	(220)
Reversal of impairment provision, net		**1,256**	1,810
Operating profit		**14,752**	11,843
Finance costs	*7*	**(1,512)**	(2,332)
Share of profit of associates	*15*	**366**	–
Profit before income tax		**13,606**	9,511
Income tax expense	*8*	**(5,124)**	(2,082)
Profit for the period	*6*	**8,482**	7,429
Profit is attributable to:			
Owners of the Company		**2,117**	2,015
Non-controlling interests		**6,365**	5,414
		8,482	7,429

	Note	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Profit for the period		**8,482**	7,429
Other comprehensive (loss)/income			
Items that have been/may be reclassified to profit or loss:			
Change in fair value of debt instruments at fair value through other comprehensive income		**(354)**	1,673
Transfer to profit or loss on disposal of debt instrument at fair value through other comprehensive income		**(29)**	–
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(34,632)**	(762)
Share of currency translation difference of an associate for using equity method		**(1,824)**	–
Change in fair value of equity instrument at fair value through other comprehensive income		**–**	(673)
Other comprehensive (loss)/income for the period		**(36,839)**	238
Total comprehensive (loss)/income for the period		**(28,357)**	7,667
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(25,712)**	2,292
Non-controlling interests		**(2,645)**	5,375
		(28,357)	7,667
Earnings per share			
Basic and diluted (HK cents)	*9*	**0.05**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2020

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**22,672**	25,369
Right-of-use assets		**38,389**	40,827
Investment properties	*11*	**23,700**	24,700
Intangible assets	*12*	**64,436**	68,033
Interest in associates	*15*	**86,903**	88,361
Receivables under sale and leaseback arrangements	*13*	**689,926**	864,582
Debt instruments at fair value through other comprehensive income		**15,695**	31,676
Financial assets at fair value through profit or loss		**2,520**	2,575
Prepayments		**3,707**	3,019
Deferred tax assets		**3,999**	10,088
Total non-current assets		**951,947**	1,159,230
Current assets			
Receivables under sale and leaseback arrangements	*13*	**396,477**	426,614
Trade receivables	*14*	**603**	–
Prepayments, deposits and other receivables		**93,958**	6,024
Restricted bank deposits		**2,505**	–
Term deposits with initial term over three months		**–**	94,382
Cash and cash equivalents		**501,280**	607,782
Total current assets		**994,823**	1,134,802
Total assets		**1,946,770**	2,294,032
EQUITY			
Share capital	*17*	**39,846**	39,846
Reserves		**1,289,591**	1,315,303
Capital and reserves attributable to owners of the Company		**1,329,437**	1,355,149
Non-controlling interests		**385,704**	388,349
Total equity		**1,715,141**	1,743,498

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	*16*	**137,363**	168,539
Security deposits received		**13,736**	8,427
Lease liabilities		**775**	1,917
Total non-current liabilities		**151,874**	178,883
Current liabilities			
Other payables and accruals		**32,670**	25,222
Current tax liabilities		**20,301**	26,301
Secured bank borrowings	*16*	**9,580**	297,018
Security deposits received		**14,945**	20,899
Lease liabilities		**2,259**	2,211
Total current liabilities		**79,755**	371,651
Total liabilities		**231,629**	550,534
Total equity and liabilities		**1,946,770**	2,294,032

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim report 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 and any public announcements made by Shougang Concord Grand (Group) Limited (the "Company") during the interim reporting period.

2 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) Amended standards and interpretations adopted by the Group

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

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 16 (Amendments)	COVID-19 Related Rent Concession
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform

(b) New and amended standards not yet adopted

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The above new and amended accounting standards have been published that are not mandatory for reporting period beginning on 1 January 2020 and have not been early adopted by the Group. The Group is still assessing the impacts of adopting these new standards in future reporting periods and on foreseeable future transactions.

3 ESTIMATES

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 2019.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from service perspective and assess the performance of the operating segments based on a measure of adjusted profit before income tax before unallocated income/expenses for the purpose of allocating resources and assessing performance.

The Group is currently organised into four operating divisions: sale and leaseback arrangements services, property leasing services, assets management and consultancy services and supply chain management services.

	Sale and leaseback arrangements services	**Property leasing services**	**Assets management and consultancy services**	**Supply chain management services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the six months ended 30 June 2020 (Unaudited)					
Revenue under sale and leaseback arrangements	**37,784**	–	–	–	**37,784**
Property leasing income	–	**109**	–	–	**109**
Consultancy service income – recognised over time	–	–	**63**	**645**	**708**
Segment revenue	**37,784**	**109**	**63**	**645**	**38,601**
Segment results	**31,362**	**(991)**	**(1,977)**	**(557)**	**27,837**

	Sale and leaseback arrangements services	Property leasing services	Assets management and consultancy services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2019 (Unaudited)				
Revenue under sale and leaseback arrangements	28,392	–	–	28,392
Entrusted loan payment interest income	33	–	–	33
Property leasing income	–	494	–	494
Consultancy service income				
– recognised point in time	–	–	2,072	2,072
Segment revenue	28,425	494	2,072	30,991
Segment results	22,392	3,484	158	26,034

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Segment result	**27,837**	26,034
Unallocated		
Central administration costs	**(14,849)**	(17,506)
Changes in fair value of financial assets at fair value through profit or loss ("FVPL")	**(55)**	(220)
Other income *(Note (i))*	**1,768**	3,531
Gain on disposal of debt instrument at fair value through other comprehensive income ("FVOCI")	**29**	–
Reversal for impairment losses in debt instruments at FVOCI	**22**	4
Finance costs	**(1,512)**	(2,332)
Share of profit of associates	**366**	–
Profit before tax	**13,606**	9,511

Note:

(i) Unallocated other income represents interest income from debt instruments at FVOCI and bank deposits held by investment holding companies.

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

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment assets		
Sale and leaseback arrangements services	**1,365,801**	1,553,347
Property leasing services	**24,517**	36,313
Assets management and consultancy services	**75,175**	86,350
Supply chain management services	**333,547**	227,871
Total segment assets	**1,799,040**	1,903,881
Interest in associates	**86,903**	88,361
Debt instruments at FVOCI	**15,695**	31,676
Financial assets at FVPL	**2,520**	2,575
Term deposits with initial term over three months	**–**	94,382
Other unallocated assets	**42,612**	173,157
Consolidated assets	**1,946,770**	2,294,032

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Segment liabilities		
Sale and leaseback arrangements services	**200,781**	389,207
Property leasing services	**102**	60
Assets management and consultancy services	**639**	23
Supply chain management services	**13,002**	529
Total segment liabilities	**214,524**	389,819
Unallocated secured bank borrowings	**9,580**	150,950
Other unallocated liabilities	**7,525**	9,765
Consolidated liabilities	**231,629**	550,534

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in associates, debt instruments at FVOCI, financial assets at FVPL, term deposits with initial term over three months and other unallocated assets (including primarily unallocated property, plant and equipment, cash and cash equivalents and prepayments).

- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for sale and leaseback arrangements services and other unallocated liabilities.

5 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income		
– bank deposits	**1,180**	2,464
– term deposits with initial term over three months	**4,984**	7,386
– debt instruments at FVOCI	**569**	1,720
	6,733	11,570
Government grant *(Note)*	**261**	300
Others	**3,345**	141
	10,339	12,011

Note: During the six months ended 30 June 2020, government grant included subsidies and awards of Hong Kong dollars ("HK$")261,000 (six months ended 30 June 2019: HK$300,000) received from the relevant authorities in the People's Republic of China (the "PRC") which is an incentive payment to the Group whereby no future related cost is required or expected to be made.

6 PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Legal and professional fees	**1,043**	1,812
Employee benefit expenses	**16,029**	14,104
Depreciation of property, plant and equipment	**1,200**	836
Amortisation of intangible assets	**1,559**	–
Amortisation of right-of-use assets	**1,630**	1,102

7 FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**7,390**	11,828
Less: amounts included in costs of sale and leaseback arrangements and consultancy services	**(5,957)**	(9,622)
	1,433	2,206
Interest on lease liabilities	**79**	126
	1,512	2,332

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong	**4**	9
– PRC	**342**	927
	346	936
Under-provision/(over-provision) in prior period:		
– Hong Kong	**9**	–
– PRC	**(1,029)**	–
	(1,020)	–
Deferred income tax	**5,798**	1,146
Income tax expense	**5,124**	2,082

Note:

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company *(HK$'000)*	**2,117**	2,015
Weighted average number of ordinary shares *(thousand)*	**3,984,640**	4,008,289
Basic earnings per share *(expressed in HK cent per share)*	**0.05**	0.05

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share option since their exercise price were higher than the average market prices of the shares of the Company.

10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group had addition of property, plant and equipment of approximately HK$6,000 (six months ended 30 June 2019: HK$674,000) and disposal of property, plant and equipment of approximately HK$1,305,000 (six months ended 30 June 2019: HK$5,000).

11 INVESTMENT PROPERTIES

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Residential property units located in Hong Kong	**23,700**	24,700

For the six months ended 30 June 2020, unrealised loss relating to investment properties amounted to HK$1,000,000 (six months ended 30 June 2019: unrealised gain amounted to HK$3,200,000) is recognised in profit or loss.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 June 2020 and 31 December 2019 have been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. Greater China Appraisal Limited is a registered firm of Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

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

12 INTANGIBLE ASSETS

	Goodwill *HK$'000*	**Supply chain financing platform** *HK$'000*	**Total** *HK$'000*
At 31 December 2019 (Audited)			
Cost	56,660	12,589	69,249
Accumulated amortisation	–	(1,216)	(1,216)
Net book value	56,660	11,373	68,033
Six months ended 30 June 2020			
Opening net book amount	**56,660**	**11,373**	**68,033**
Amortisation charge	**–**	**(1,559)**	**(1,559)**
Disposal	**–**	**(544)**	**(544)**
Exchange difference	**(1,245)**	**(249)**	**(1,494)**
Closing net book value	**55,415**	**9,021**	**64,436**
At 30 June 2020 (Unaudited)			
Cost	**55,415**	**11,758**	**67,173**
Accumulated amortisation	**–**	**(2,737)**	**(2,737)**
Net book value	**55,415**	**9,021**	**64,436**

Goodwill has been allocated to three individual cash generating unit ("CGU"), comprise of:

- Sale and leaseback arrangements services segment – South China International Leasing Co., Ltd. ("South China Leasing");
- Assets management and consultancy services segment – 北京首華方泰投資管理有限公司 (Beijing Shouhua Fangtai Investment Management Co., Ltd.*, formerly known as 首華京西協同創新（北京）科技發展有限公司 (Shouhua Jingxi Cooperative Innovation (Beijing) Technology Development Co., Ltd.*)); and
- Supply chain management services segment – 北京京西供應鏈管理有限公司 (Beijing Jingxi Supply Chain Management Co., Ltd.*).

During the six months ended 30 June 2020 and 2019, the Directors determine that there is no impairment of the CGU represented by sale and leaseback arrangements services, assets management and consultancy services and supply chain management services.

13 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current assets	**396,477**	426,614
Non-current assets	**689,926**	864,582
	1,086,403	1,291,196

At six months ended 30 June 2020, the Group's receivables under sale and leaseback arrangements were repayable as follows:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**387,026**	416,952
Between 1 and 2 years	**299,162**	388,166
Between 2 and 3 years	**390,764**	476,415
	1,076,952	1,281,533
Overdue receivables under sale and leaseback arrangements	**9,451**	9,663
	1,086,403	1,291,196

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	**443,742**	470,851
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	**689,926**	869,933
	1,133,668	1,340,784
Provision of impairment loss allowance	**(47,265)**	(49,588)
	1,086,403	1,291,196

* *For identification purpose only*

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Fixed-rate receivables under sale and leaseback arrangements	**833,404**	867,820
Variable-rate receivables under sale and leaseback arrangements	**252,999**	423,376
	1,086,403	1,291,196

The interest rates represent prevailing People's Bank of China Renminbi Lending Rate ("PBC rate") or Offshore Chinese Renminbi Hong Kong Interbank Offered Rate ("CNH HIBOR") as at 30 June 2020 and 31 December 2019, respectively.

Effective interest rates per annum of the above receivables under sale and leaseback arrangements for the period are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Effective interest rates		
Fixed-rate receivables	**5.0% to 12.0%**	5.0% to 7.5%
Variable-rate receivables	**6.2% to 6.7%**	5.0% to 7.7%

Interest rate of variable-rate receivables is reset when there is a change of the prevailing PBC rate or CNH HIBOR.

As at 30 June 2020, carrying value of the receivables under sale and leaseback arrangements of HK$242,264,000 (2019: HK$308,478,000) have been pledged against specific bank borrowings granted to the Group. The pledges will be released upon the settlement of bank borrowings.

14 TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximately the revenue recognition date.

	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
0–30 days	**603**	–

15 INTEREST IN ASSOCIATES

The carrying amount of interest in associates has changed as follow during the six months ended 30 June 2020:

	30 June 2020 HK$'000 (Unaudited)
Beginning of the period	**88,361**
Share of operating profits	**366**
Share of other comprehensive loss	**(1,824)**
End of the period	**86,903**

Included in cost of investments in associates of the Group, is goodwill of approximately HK$23,767,000 as at 30 June 2020 (31 December 2019: approximately HK$24,578,000).

16 SECURED BANK BORROWINGS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current portion		
Secured bank borrowings	**137,363**	168,539
Current portion		
Secured bank borrowings	**9,580**	297,018
	146,943	465,557

As at 30 June 2020 and 31 December 2019, the Group's borrowings were repayable in accordance with scheduled repayment dates as follows:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Carrying amount repayable:		
Within 1 year	–	146,068
Between 1 and 2 years	**54,945**	84,269
Between 2 and 3 years	**82,418**	84,270
	137,363	314,607

Carrying amount of bank borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 year	**2,826**	142,751
Between 1 and 2 years	**2,867**	2,825
Between 2 and 3 years	**2,908**	2,899
Between 3 and 4 years	**979**	2,475
	9,580	150,950
	146,943	465,557

At 30 June 2020 and 31 December 2019, the borrowing of HK$9,580,000 (2019: HK$150,950,000) and HK$137,363,000 (2019: HK$314,607,000) were denominated in HK$ and Renminbi ("RMB") respectively.

The ranges of effective interest rates on the Group's secured bank borrowings are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Effective interest rate:		
Variable-rate secured bank borrowings	**1.44% to 5.70%**	2.63% to 5.70%

17 SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2019 and 30 June 2019	4,008,288,703	40,083
Cancellation of shares	(23,649,000)	(237)
At 31 December 2019 and 30 June 2020	3,984,639,703	39,846

18 ASSETS PLEDGED AS SECURITY

As at 30 June 2020 and 31 December 2019, the Group had the following assets pledged as security of bank borrowing:

(a) The Group's investment properties with an aggregate carrying value of HK$23,700,000 (2019: HK$24,700,000) and the Group's land and building with carrying value of HK$14,735,000 (2019: HK$14,921,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK$9,580,000 (2019: HK$10,950,000).

(b) The Group's receivables under sale and leaseback arrangements with a carrying value of HK$242,264,000 (2019: HK$308,478,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK$137,363,000 (2019: HK$314,607,000).

19 RELATED PARTY DISCLOSURE

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding (Hong Kong) Limited ("Shougang Holding") which is a wholly-owned subsidiary of Shougang Group Co., Ltd., a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are controlled by Shougang Group Co., Ltd. and its subsidiaries (collectively referred as "Shougang Group"). The transactions and those balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

(a) Key management personnel compensation

Key management personnel includes directors (executive, non-executive and external directors) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Wages, salaries and other benefit	**4,385**	3,049
Retirement benefit scheme contribution	**27**	18
Total employee benefit expenses	**4,412**	3,067

(b) Transactions with related parties

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue under sale and leaseback arrangements *(Note ii)*		
Subsidiaries of Shougang Group	**28,286**	15,479
Associate of Shougang Holding	**–**	733
	28,286	16,212
Consultancy service income *(Note iii)*		
Subsidiary of Shougang Group	**569**	–
	569	–
Management fee expenses *(Note i)*		
Shougang Holding	**1,440**	1,440
	1,440	1,440
Lease payments *(Note i)*		
Subsidiary of Shougang Holding	**1,173**	1,173
	1,173	1,173

Notes:

(i) The transactions were carried out in accordance with the relevant lease and other agreements. The relevant rental deposit is included in prepayments, deposits and other receivables.

(ii) The transactions were carried out in accordance with relevant sale and leaseback and loan agreements summarised as below:

(1) Pursuant to the sale and leaseback agreement, South China Leasing provided sale and leaseback amounting to RMB70,000,000 to Tengzhou Eastern Steel Cord Co. Ltd, an associate of Shougang Holding, for a term of 3 years commenced from August 2016.

(2) The Company entered into the master facility agreement with Shougang Group Co., Ltd., pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the uncommitted facilities to Shougang Group Co., Ltd. and/or its subsidiaries in an aggregate principal amount of up to RMB5,000,000,000 for a term of 3 years commenced from June 2018.

(3) Pursuant to the sale and leaseback agreement, South China Leasing provided sale and leaseback amounting RMB60,000,000 to 成都首中易泊停車場管理有限公司, a subsidiary of Shougang Holding, for a term of 1 year commenced from February 2018.

(iii) The transactions were carried out in accordance with the service agreement. The consultancy service income was recognised in revenue and correspondingly included in trade receivable.

(iv) Included in prepayments, deposits and other receivables, amount of HK$2,079,000 was due from a related party, 首中投資管理有限公司, which is a subsidiary of Shoucheng Holdings Limited ("Shoucheng", formerly known as Shougang Concord International Enterprises Company Limited), in respect of the disposal of the property, plant and equipment and intangible assets with consideration of RMB1,892,000 (equivalent to HK$2,079,000). Shoucheng is an associate of Shougang Holding. The balance has been settled in July 2020.

(c) Outstanding balance arising from sale and leaseback business

Included in receivables under sale and leaseback arrangements of the Group as disclosed in Note 13, there are receivables under sale and leaseback arrangements from subsidiaries of Shougang Group with total carrying amount of HK$828,127,000 (31 December 2019: HK$984,612,000) as at 30 June 2020.

(d) Amount due from a related party

Included in prepayments, deposits and other receivables, there are amount due from a related party with carrying amount of approximately HK$73,626,000 (31 December 2019: HK$Nil) as at 30 June 2020. The Group has pre-paid RMB67,000,000 (equivalent to approximately HK$73,626,000) to the non-controlling shareholder, who is a related party of the Group, in regards to the share capital reduction of the subsidiary. The balance is unsecured, repayable on demand and interest-free.

(e) Investment in related companies

At 30 June 2020, the Group's financial assets at FVPL included listed securities of 12,370,000 shares (31 December 2019: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK$2,449,000 (31 December 2019: HK$2,486,000), and 46,000 shares (31 December 2019: 230,000 shares) of Shoucheng with carrying amount of HK$71,000 (31 December 2019: HK$89,000). Shougang Century and Shoucheng are associates of Shougang Holding.

(f) Transaction and balance with other PRC government-related entities

Apart from the transactions and balances with the Shougang Group as disclosed in Note 19(b), 19(c) and 19(d), and the investments in related companies as disclosed in Note 19(e), the Group has entered into various transactions in its ordinary course of business including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As at 30 June 2020, Nil, 100% and 93% (31 December 2019: 100%, 100% and 98%), respectively, of term deposits with initial term over three months, bank balances and bank borrowings are held with these government-related financial institutions.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on review of condensed consolidated financial information of the Group for the six months ended 30 June 2020.

Conclusion

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2020 (2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Closely following the development path of empowering the industrial chain by financial services, Shougang Concord Grand prioritised the development of its supply chain financial services in the steel industry through serving the upstream and downstream customers of Shougang Group, and centered around core enterprises in the industry to expand supply chain management and financial service business. Through deeply promoting businesses such as leasing, factoring, asset securitisation and supply chain management, the Group focused on the upstream and downstream of industrial chain of core target companies, launched financial packages service for industrial chain of core target companies, which contributes to enhancing the overall mobility of the industrial chain to empower the industry and enabling Shougang Concord Grand to achieve meaningful breakthroughs in business development and collaboration. During the period under review, cost reduction and efficiency improvement have made initial achievements and thus income has increased.

FINANCIAL KEY PERFORMANCE INDICATORS

The financial key performance indicators are analysed as below:

	Six months ended 30 June		
	2020	2019	+/(−)
	HK$'000	*HK$'000*	Change
Financial performance			
Revenue	**38,601**	30,991	25%
Gross profit margin *(%)*	**84%**	69%	15%
Profit before income tax for the period	**13,606**	9,511	43%
Profit for the period	**8,482**	7,429	14%
Profit attributable to owners of the Company	**2,117**	2,015	5%
Basic earnings per share *(HK cents)*	**0.05**	0.05	–

	30 June	31 December	
	2020	2019	+/(−)
	HK$'000	*HK$'000*	Change
Key financial indicators			
Total cash	**503,785**	702,164	−28%
Total assets	**1,946,770**	2,294,032	−15%
Total liabilities	**231,629**	550,534	−58%
Bank borrowings	**146,943**	465,557	−68%
Capital and reserves attributable to owners of the Company	**1,329,437**	1,355,149	−2%
Current ratio	**1,247%**	305%	942%
Debt asset ratio	**12%**	24%	−12%

FINANCIAL OVERVIEW

The Group recorded profit of approximately HK$2,117,000 for the six months ended 30 June 2020 attributable to owners of the Company, when compared with a profit of approximately HK$2,015,000 for the six months ended 30 June 2019 attributable to owners of the Company. The slight increase was mainly driven by the sale and leaseback arrangements services business. Revenue of the Group for the six months ended 30 June 2020 was approximately HK$38,601,000, which represented an increase of approximately 25% when compared with that of approximately HK$30,991,000 for the same period of 2019. The increase was mainly attributable to the increase in income from the sale and leaseback arrangements services segment. The Group recorded a gross profit of approximately HK$32,609,000 for the six months ended 30 June 2020, representing a gross profit margin of approximately 84%, which is an increase of approximately 15% when compared with the gross profit margin of approximately 69% for the same period of 2019.

The Group's revenue for the six months ended 30 June 2020 was approximately HK$38,601,000, representing an increase of approximately 25% when compared with that of approximately HK$30,991,000 for the same period of 2019. The increase was mainly attributable to the increase in income from the sale and leaseback arrangements services segment by approximately HK$9,359,000.

The Group made a gross profit of approximately HK$32,609,000 for the six months ended 30 June 2020, representing a gross profit margin of approximately 84%, which is an increase of 15% when compared with the gross profit margin of approximately 69% for the same period of 2019 which was mainly attributable to the increase in gross profit margin from the sale and leaseback arrangements services segment.

The Group's administration expenses for the six months ended 30 June 2020 amounted to approximately HK$28,257,000, representing an increase of approximately 8% when compared with that of approximately HK$26,104,000 for the same period of 2019. The increase was mainly due to the increase in labor cost driven by business development.

For the six months ended 30 June 2020, share of profit of associates amounted to approximately HK$366,000 (six months ended 30 June 2019: HK$Nil). The management believes the associates are heading to a long-term and positive prospect.

Basic earnings per share of the Group for the six months ended 30 June 2020 was HK0.05 cents (six months ended 30 June 2019: HK0.05 cents).

BUSINESS REVIEW AND OUTLOOK

Through supply chain technology services, financial services and assets management services as our core business and competitive edge in the market, the Group strived to focus on the provision of finance leasing, business factoring, supply chain management, investment and financing advisory services and other portfolios of financial products to two types of target entities including steel companies and domestic large-scale enterprise groups, as well as their upstream and downstream customers, in order to provide customised financial service solutions for target companies, meet the strategic needs of target companies and their upstream and downstream companies for industrial upgrading and give full play to the important role of financial services in empowering real economy. The Group will seize the digital transformation of large enterprises, new infrastructure and other digital economic development opportunities, improve the supply chain management, leasing, asset securitization and other businesses of customer information and data security storage, processing and analysis capabilities, and will provide customers with comprehensive data application services.

During the period under review, revenue from the sale and leaseback arrangements services segment increased by approximately 33% to approximately HK$37,784,000 (six months ended 30 June 2019: HK$28,425,000), while the segment result recorded a profit of approximately HK$31,362,000 (six months ended 30 June 2019: HK$22,392,000). The increase in revenue and segment result from the sale and leaseback arrangements services segment were mainly attributable to the increase in project gross profit resulting from increased new projects and more flexible financial resource usage.

During the period under review, the supply chain management services segment recorded a revenue of approximately HK$645,000 (six months ended 30 June 2019: HK$Nil). The supply chain management services segment result recorded a loss of approximately HK$557,000 (six months ended 30 June 2019: HK$Nil). Based on the business scenario of the target customer, the supply chain management services segment carefully analyses the capital flow, information flow, business flow, logistics, etc. of the target customer's industrial chain, and solves customers' capital and management needs with the most convenient and diversified products to reduce the transaction cost of industrial chain and empower the industry. During the period under review, the supply chain management services segment provided customers with platform technology consultancy services and recorded revenue. The loss in the segment result was mainly due to the needs to more resources invested in business development at the start-up stage of the business.

During the period under review, the assets management and consultancy services segment recorded a revenue of approximately HK$63,000 (six months ended 30 June 2019: HK$2,072,000). The assets management and consultancy services segment result recorded a loss of approximately HK$1,977,000 (six months ended 30 June 2019: profit of HK$158,000). The decrease in revenue and segment result from assets management and consultancy services segment were mainly affected by the epidemic and international macroeconomic fluctuations resulting in a more cautious outlook by clients and slower progress in project launching.

During the period under review, revenue from the property leasing services segment decreased by approximately 78% to approximately HK$109,000 (six months ended 30 June 2019: HK$494,000), while the segment result recorded a loss of approximately HK$991,000 (six months ended 30 June 2019: profit of HK$3,484,000). The decrease in revenue from the property leasing services segment was mainly affected by the epidemic resulting in an increased vacancy rate. The decrease in segment result was mainly attributable to the decrease in fair value of investment properties of the Group. The Group recorded a decrease in fair value of investment properties of approximately HK$1,000,000 during the period under review (six months ended 30 June 2019: fair value increase of HK$3,200,000).

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 30 June 2020 as compared to 31 December 2019 is summarised below:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
Total borrowings		
Current borrowings	**9,580**	297,018
Non-current borrowings	**137,363**	168,539
Sub-total	**146,943**	465,557
Total cash		
Cash and cash equivalents	**501,280**	607,782
Term deposits with initial term over three months	**–**	94,382
Restricted bank deposits	**2,505**	–
Sub-total	**503,785**	702,164
Total equity	**1,715,141**	1,743,498
Total assets	**1,946,770**	2,294,032
Financial leverage		
Current ratio	**1,247%**	305%
Debt asset ratio	**12%**	24%

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK$501,280,000 (31 December 2019: HK$607,782,000), restricted bank deposits of approximately HK$2,505,000 (31 December 2019: HK$Nil) and term deposits with initial term over three months of HK$Nil (31 December 2019: HK$94,382,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the net repayment of bank borrowings of approximately HK$311,700,000.

As at 30 June 2020, the Group's borrowings amounted to approximately HK$146,943,000, of which approximately HK$9,580,000 were repayable within twelve months from 30 June 2020 and approximately HK$137,363,000 were repayable after twelve months from 30 June 2020. All loans bore interest at market rates.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK$1,329,437,000 as at 30 June 2020 (31 December 2019: HK$1,355,149,000). The decrease was mainly due to exchange difference of approximately HK$27,446,000 arising from conversion in total during the period under review. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

During the six months ended 30 June 2020, the Group had no material acquisition, disposals and significant investment.

CHARGE ON ASSETS

As at 30 June 2020, the Group had the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$23,700,000 and the Group's land and building with a carrying value of approximately HK$14,735,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$9,580,000.

(ii) The Group's receivables under sale and leaseback arrangements with a carrying value of approximately HK$242,264,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$137,363,000.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 30 June 2020, the Group has no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2020.

EMPLOYEES

As at 30 June 2020, the Group employed 51 (31 December 2019: 60) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employees of the Group. Remuneration packages are reviewed either annually or individually.

During the six months ended 30 June 2020, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

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 period under review.

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.

By Order of the Board
Shougang Concord Grand (Group) Limited
Xu Liang
Chairman

Hong Kong, 21 August 2020

As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman), Mr. Su Guifeng (Managing Director), Ms. Li Jing (Executive Director), Ms. You Wenli (Non-executive Director), Mr. Huang Donglin (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Wan Siu Wah, Wilson (Independent Non-executive Director) and Mr. Zhang Xingyu (Independent Non-executive Director).

* *For identification purpose only*