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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 2021**

**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 2021. 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 2021*

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue under sale and leaseback arrangements	4	43,303	37,784
Revenue from supply chain management business	4	1,079,148	–
Consultancy service income and property leasing income	4	1,768	817
<b>Total revenue</b>		<b>1,124,219</b>	<b>38,601</b>
Cost of sale and leaseback arrangements and consultancy services		(6,031)	(5,992)
Cost of supply chain management business		(1,066,027)	–
<b>Gross profit</b>		<b>52,161</b>	<b>32,609</b>
Other income	5	2,798	10,339
Other gains, net		–	19
Selling expenses		(1,346)	(159)
Administrative expenses		(25,443)	(28,257)
Change in fair value of investment properties		500	(1,000)
Change in fair value of financial assets at fair value through profit or loss		517	(55)
Reversal of impairment provision, net		263	1,256

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Operating profit</b>		<b>29,450</b>	14,752
Finance costs	7	(1,904)	(1,512)
Share of (loss)/profit of associates	15	(219)	366
<b>Profit before income tax</b>		<b>27,327</b>	13,606
Income tax expense	8	(9,405)	(5,124)
<b>Profit for the period</b>	6	<b>17,922</b>	8,482
<b>Profit is attributable to:</b>			
Owners of the Company		11,418	2,117
Non-controlling interests		6,504	6,365
		<b>17,922</b>	8,482
<b>Other comprehensive (loss)/income</b>			
<i>Items that have been/may be reclassified to profit or loss:</i>			
Change in fair value of debt instruments at fair value through other comprehensive income		(222)	(354)
Transfer to profit or loss on disposal of debt instrument at fair value through other comprehensive income		–	(29)
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation of functional currency to presentation currency		(860)	(34,632)
Revaluation of building upon transfer from property, plant and equipment to investment properties		38	–
Share of other comprehensive income arising from translation of functional currency of an associate to presentation currency		38	(1,824)
<b>Other comprehensive loss for the period</b>		<b>(1,006)</b>	(36,839)
<b>Total comprehensive income/(loss) for the period</b>		<b>16,916</b>	(28,357)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		10,461	(25,712)
Non-controlling interests		6,455	(2,645)
		<b>16,916</b>	(28,357)
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cents</i> )	9	<b>0.29</b>	0.05

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	7,173	22,371
Right-of-use assets		37,823	39,543
Investment properties	11	38,600	23,700
Intangible assets	12	66,955	68,364
Interest in an associate	15	88,199	91,362
Receivables under sale and leaseback arrangements	13	654,217	771,927
Debt instrument at fair value through other comprehensive income		–	15,886
Financial assets at fair value through profit or loss		3,364	2,847
Prepayments		3,876	4,201
Deferred tax assets		2,404	2,399
<b>Total non-current assets</b>		<b>902,611</b>	<b>1,042,600</b>
<b>Current assets</b>			
Receivables under sale and leaseback arrangements	13	644,896	608,522
Trade and bill receivables	14	12,557	36,132
Prepayments, deposits and other receivables		290,155	155,401
Inventories		141,662	–
Debt instrument at fair value through other comprehensive income		15,693	–
Cash and cash equivalents		204,285	318,818
<b>Total current assets</b>		<b>1,309,248</b>	<b>1,118,873</b>
<b>Total assets</b>		<b>2,211,859</b>	<b>2,161,473</b>
<b>EQUITY</b>			
Share capital	17	39,846	39,846
Reserves		1,415,592	1,405,791
<b>Capital and reserves attributable to owners of the Company</b>		<b>1,455,438</b>	<b>1,445,637</b>
Non-controlling interests		325,170	318,352
<b>Total equity</b>		<b>1,780,608</b>	<b>1,763,989</b>

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Secured bank borrowings	16	<b>107,846</b>	146,995
Security deposits received		<u>–</u>	<u>5,952</u>
<b>Total non-current liabilities</b>		<b><u>107,846</u></b>	<b><u>152,947</u></b>
<b>Current liabilities</b>			
Other payables and accruals		<b>123,442</b>	62,014
Current tax liabilities		<b>30,984</b>	31,346
Secured bank borrowings	16	<b>156,299</b>	143,308
Security deposits received		<b>11,905</b>	5,952
Lease liabilities		<u>775</u>	<u>1,917</u>
<b>Total current liabilities</b>		<b><u>323,405</u></b>	<b><u>244,537</u></b>
<b>Total liabilities</b>		<b><u>431,251</u></b>	<b><u>397,484</u></b>
<b>Total equity and liabilities</b>		<b><u>2,211,859</u></b>	<b><u>2,161,473</u></b>

# 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 2021 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 2020 and any public announcements made by the Company during the interim reporting period.

## 2 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020, except for the revenue recognition for revenue from trading of goods, inventories and the adoption of new and amended standards as set out below.

### **Revenue recognition**

#### *Revenue from trading of goods*

The Group engages in trading of steel materials in the People’s Republic of China (the “PRC”). Revenue is recognised at the point in time when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer’s acceptance of the products.

### **Inventories**

Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sales.

### **Amended standards and interpretations adopted by the Group**

The following new standard or amendments to standards are effective for accounting periods beginning on or after 1 January 2021. The adoption of which does not have a material impact on the results and financial position for the current or prior periods of the Group.

HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)

Interest Rate Benchmark Reform –  
Phase 2

### 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 2020 except for the provision for inventories as set out below.

#### Provision for inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are aged and damaged, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs to be incurred to make the sales have increased.

### 4 SEGMENT INFORMATION

The chief operating decision maker ("CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal report 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 business.

During the period, the Group renamed the supply chain management services to supply chain management business and changed of its identification of this segment. The Group extended its supply chain management business to trading of goods. Since the trading of goods is a new revenue stream for the period, no prior period segment revenue information is restated for comparative purpose.

	Sale and leaseback arrangements services <i>HK\$'000</i>	Property leasing services <i>HK\$'000</i>	Assets management and consultancy services <i>HK\$'000</i>	Supply chain management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended 30 June 2021 (Unaudited)</b>					
Revenue under sale and leaseback arrangements	43,303	-	-	-	43,303
Revenue from supply chain management services	-	-	-	7,319	7,319
Revenue from trading of goods	-	-	-	1,071,829	1,071,829
Property leasing income	-	309	-	-	309
Consultancy service income	-	-	1,459	-	1,459
Segment revenue	<u>43,303</u>	<u>309</u>	<u>1,459</u>	<u>1,079,148</u>	<u>1,124,219</u>
Segment results	<u>32,325</u>	<u>829</u>	<u>415</u>	<u>7,178</u>	<u>40,747</u>

	Sale and leaseback arrangements services <i>HK\$'000</i>	Property leasing services <i>HK\$'000</i>	Assets management and consultancy services <i>HK\$'000</i>	Supply chain management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months ended</b>					
<b>30 June 2020 (Unaudited)</b>					
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	<u>37,784</u>	<u>109</u>	<u>63</u>	<u>645</u>	<u>38,601</u>
Segment results	<u>31,362</u>	<u>(991)</u>	<u>(1,977)</u>	<u>(557)</u>	<u>27,837</u>

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Segment results</b>	<b>40,747</b>	27,837
<b>Unallocated</b>		
Central administration costs	(13,263)	(14,849)
Changes in fair value of financial assets at fair value through profit or loss (“FVPL”)	517	(55)
Other income ( <i>Note</i> )	554	1,768
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
Finance costs	(1,009)	(1,512)
Share of (loss)/profit of associates	(219)	366
Profit before tax	<u>27,327</u>	<u>13,606</u>

*Note:* 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:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>Segment assets</b>		
Sale and leaseback arrangements services	1,549,679	1,576,469
Property leasing services	39,989	24,718
Assets management and consultancy services	13,397	71,175
Supply chain management business	<u>470,630</u>	<u>274,395</u>
Total segment assets	2,073,695	1,946,757
Interest in an associate	88,199	91,362
Debt instrument at FVOCI	15,693	15,886
Financial assets at FVPL	3,364	2,847
Other unallocated assets	<u>30,908</u>	<u>104,621</u>
Consolidated assets	<u><u>2,211,859</u></u>	<u><u>2,161,473</u></u>
	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>Segment liabilities</b>		
Sale and leaseback arrangements services	249,405	292,052
Property leasing services	118	224
Assets management and consultancy services	171	1,395
Supply chain management business	<u>98,327</u>	<u>19,223</u>
Total segment liabilities	348,021	312,894
Unallocated secured bank borrowings	76,747	78,170
Other unallocated liabilities	<u>6,483</u>	<u>6,420</u>
Consolidated liabilities	<u><u>431,251</u></u>	<u><u>397,484</u></u>

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

- all assets are allocated to reportable segments other than interest in an associate, debt instrument at FVOCI, financial assets at FVPL 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 supply chain management business and other unallocated liabilities.

## 5 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income		
– bank deposits	1,280	1,180
– term deposits	663	4,984
– debt instruments at FVOCI	412	569
	<u>2,355</u>	<u>6,733</u>
Government grant ( <i>Note</i> )	339	261
Others	104	3,345
	<u>2,798</u>	<u>10,339</u>

*Note:* During the six months ended 30 June 2021, government grant included subsidies and awards of HK\$339,000 (Six months ended 30 June 2020: HK\$261,000) received from the relevant authorities in 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period has been arrived at after charging:</b>		
Legal and professional fees	1,332	1,043
Employee benefit expenses	13,789	16,029
Depreciation of property, plant and equipment	850	1,200
Amortisation of intangible assets	1,454	1,559
Amortisation of right-of-use assets	1,726	1,630

## 7 FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Interest on bank borrowings	<b>6,400</b>	7,390
Less: amounts included in cost of sale and leaseback arrangements	<u><b>(4,527)</b></u>	<u>(5,957)</u>
	<b>1,873</b>	1,433
Interest on lease liabilities	<u><b>31</b></u>	<u>79</u>
	<u><b>1,904</b></u>	<u>1,512</u>

## 8 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax:		
– Hong Kong	–	4
– PRC	<u><b>9,315</b></u>	<u>342</u>
	<b>9,315</b>	346
Under-provision/(over-provision) in prior periods:		
– Hong Kong	<b>33</b>	9
– PRC	<u><b>(1,214)</b></u>	<u>(1,029)</u>
	<b>(1,181)</b>	(1,020)
Deferred income tax	<u><b>1,271</b></u>	<u>5,798</u>
Income tax expense	<u><b>9,405</b></u>	<u>5,124</u>

*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 2021 (six months ended 30 June 2020: 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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company <i>(HK\$'000)</i>	<u><b>11,418</b></u>	<u>2,117</u>
Weighted average number of ordinary shares <i>(thousand)</i>	<u><b>3,984,640</b></u>	<u>3,984,640</u>
Basic earnings per share <i>(expressed in HK cent per share)</i>	<u><b>0.29</b></u>	<u>0.05</u>

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. No diluted earnings per share for the six months ended 30 June 2021 as there was no dilutive potential ordinary share. For the six months ended 30 June 2020, 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 share of the Company.

## 10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group had addition of property, plant and equipment of approximately HK\$12,000 (six months ended 30 June 2020: HK\$6,000), disposal of property, plant and equipment of approximately HK\$Nil (six months ended 30 June 2020: HK\$1,305,000) and building with carrying amount of approximately HK\$14,362,000 was transferred to investment properties due to cessation of owner-occupation. The fair value of the building at the date of transfer was HK\$14,400,000, resulting in recognition of surplus on revaluation of HK\$38,000 in other comprehensive income and accumulated in property revaluation reserve.

## 11 INVESTMENT PROPERTIES

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Residential property units located in Hong Kong	<u><b>38,600</b></u>	<u>23,700</u>

For the six months ended 30 June 2021, unrealised gain relating to investment properties amounted to HK\$500,000 (six months ended 30 June 2020: unrealised loss amounted to HK\$1,000,000) is recognised in profit or loss.

In addition, an investment property amounted to approximately HK\$14,400,000 (six months ended 30 June 2020: HK\$Nil) has been transferred from property, plant and equipment due to cessation of owner-occupation on 30 June 2021.

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 2021 and 31 December 2020 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.

## 12 INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Supply chain financing platform</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 31 December 2020 (Audited)</b>			
Cost	60,032	12,738	72,770
Accumulated amortisation	—	(4,406)	(4,406)
<b>Net book value</b>	<u>60,032</u>	<u>8,332</u>	<u>68,364</u>
<b>Six months ended 30 June 2021</b>			
Opening net book amount	60,032	8,332	68,364
Addition	—	34	34
Amortisation charge	—	(1,454)	(1,454)
Exchange difference	—	11	11
Closing net book value	<u>60,032</u>	<u>6,923</u>	<u>66,955</u>
<b>At 30 June 2021 (Unaudited)</b>			
Cost	60,032	12,772	72,804
Accumulated amortisation	—	(5,849)	(5,849)
<b>Net book value</b>	<u>60,032</u>	<u>6,923</u>	<u>66,955</u>

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.\*); and
- Supply chain management business 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 2021 and 2020, 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 business.

### 13 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Current assets	<b>644,896</b>	608,522
Non-current assets	<b><u>654,217</u></b>	<u>771,927</u>
	<b><u>1,299,113</u></b>	<u>1,380,449</u>

At 30 June 2021, the Group’s receivables under sale and leaseback arrangements were repayable as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within one year	<b>644,896</b>	608,522
Between 1 and 2 years	<b>602,142</b>	576,436
Between 2 and 3 years	<b><u>52,075</u></b>	<u>195,491</u>
	<b>1,299,113</b>	1,380,449
Overdue receivables under sale and leaseback arrangements	<u>–</u>	<u>–</u>
	<b><u>1,299,113</u></b>	<u>1,380,449</u>

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	<b>665,953</b>	629,626
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u><b>655,331</b></u>	<u>773,255</u>
	<b>1,321,284</b>	1,402,881
Provision of impairment loss allowance	<u><b>(22,171)</b></u>	<u>(22,432)</u>
	<u><b>1,299,113</b></u>	<u>1,380,449</u>

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Fixed-rate receivables under sale and leaseback arrangements	<b>797,980</b>	862,040
Variable-rate receivables under sale and leaseback arrangements	<u><b>501,133</b></u>	<u>518,409</u>
	<u><b>1,299,113</b></u>	<u>1,380,449</u>

The interest rates represent prevailing People's Bank of China Renminbi Lending Rate ("PBC rate") as at 30 June 2021 and 31 December 2020, respectively.

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

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Effective interest rates		
Fixed-rate receivables	<b>5.0% to 12.0%</b>	5.0% to 12.0%
Variable-rate receivables	<b>5.5% to 6.7%</b>	5.5% to 6.7%

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

As at 30 June 2021, carrying value of the receivables under sale and leaseback arrangements of HK\$284,591,000 (2020: HK\$321,283,000) have been pledged against specific bank borrowings granted to the Group. The pledges will be released upon the settlement of bank borrowings.

## 14 TRADE AND BILL RECEIVABLES

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade receivables	6,843	3,455
Bill receivables	<u>5,714</u>	<u>32,677</u>
	<u><b>12,557</b></u>	<u><b>36,132</b></u>

The Group allows on credit period from 30 to 90 days to its trade customers.

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 3 months	5,733	3,358
4-6 months	956	97
7-9 months	<u>154</u>	<u>-</u>
	<u><b>6,843</b></u>	<u><b>3,455</b></u>

## 15 INTEREST IN AN ASSOCIATE

The carrying amount of interest in an associate has changed as follow during the six months ended 30 June 2021:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
As at 1 January	91,362	88,361
Dissolution of an associate	-	(1,667)
Share of operating (losses)/profits	(219)	1,258
Share of other comprehensive income	38	5,273
Dividend received	<u>(2,982)</u>	<u>(1,863)</u>
<b>Interest in an associate</b>	<u><b>88,199</b></u>	<u><b>91,362</b></u>

Included in cost of investment in an associate of the Group, is goodwill of approximately HK\$25,748,000 as at 30 June 2021 (31 December 2020: approximately HK\$25,748,000). During the six months ended 30 June 2021 and 2020, the Directors determine that there is no impairment of interest in an associate.

**16 SECURED BANK BORROWINGS**

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
<b>Non-current portion</b>		
Secured bank borrowings	<b>107,846</b>	146,995
<b>Current portion</b>		
Secured bank borrowings	<u><b>156,299</b></u>	<u>143,308</u>
	<u><b>264,145</b></u>	<u>290,303</u>

As at 30 June 2021 and 31 December 2020, the Group's borrowings were repayable in accordance with scheduled repayment dates as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Carrying amount repayable:		
Within 1 year	<b>79,552</b>	65,138
Between 1 and 2 years	<b>96,857</b>	84,419
Between 2 and 3 years	<u><b>10,989</b></u>	<u>62,576</u>
	<u><b>187,398</b></u>	<u>212,133</u>

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

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 1 year	<b>72,870</b>	72,852
Between 1 and 2 years	<b>2,902</b>	2,886
Between 2 and 3 years	<u><b>975</b></u>	<u>2,432</u>
	<u><b>76,747</b></u>	<u>78,170</u>
	<u><b>264,145</b></u>	<u>290,303</u>

At 30 June 2021, the borrowing of HK\$76,747,000 (2020: HK\$78,170,000) and HK\$187,398,000 (2020: HK\$212,133,000) were denominated in HK\$ and Renminbi (“RMB”) respectively.

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

	<b>30 June 2021 (Unaudited)</b>	31 December 2020 (Audited)
Effective interest rate:		
Variable-rate secured bank borrowings	<u><b>1.10% to 6.00%</b></u>	<u>1.18% to 5.00%</u>

## 17 SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$’000</b>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	<u>3,984,639,703</u>	<u>39,846</u>

## 18 ASSETS PLEDGED AS SECURITY

As at 30 June 2021 and 31 December 2020, 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\$38,600,000 (2020: HK\$23,700,000) and the Group’s building with carrying value of HK\$Nil (2020: HK\$14,549,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK\$6,747,000 (2020: HK\$8,170,000).
- (b) The Group’s receivables under sale and leaseback arrangements with a carrying value of HK\$284,591,000 (2020: HK\$321,283,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK\$181,446,000 (2020: HK\$212,133,000).
- (c) The Group’s trade and other receivables with an aggregate carrying value of HK\$11,123,000 (2020: HK\$Nil) were pledged to a bank to secure for bank borrowing with outstanding amount of HK\$5,952,000 (2020: HK\$Nil).

## 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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Wages, salaries and other benefit	3,427	4,385
Retirement benefit scheme contribution	<u>25</u>	<u>27</u>
Total employee benefit expenses	<u><u>3,452</u></u>	<u><u>4,412</u></u>

(b) **Transactions with related parties**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue under sale and leaseback arrangements (Note (ii))</b>		
Subsidiaries of Shougang Group	<b>20,269</b>	28,286
Associate of Shougang Holding	<b>103</b>	–
	<b><u>20,372</u></b>	<b><u>28,286</u></b>
<b>Consultancy service income (Note (i))</b>		
Associate of Shougang Holding	<b>1,306</b>	569
	<b><u>1,306</u></b>	<b><u>569</u></b>
<b>Management fee expenses (Note (i))</b>		
Shougang Holding	<b>1,440</b>	1,440
	<b><u>1,440</u></b>	<b><u>1,440</u></b>
<b>Lease payments (Note (i))</b>		
Subsidiary of Shougang Holding	<b>1,173</b>	1,173
	<b><u>1,173</u></b>	<b><u>1,173</u></b>

*Notes:*

- (i) The transactions were carried out in accordance with the relevant lease and other agreements.
- (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 RMB20,000,000 to Tengzhou Eastern Steel Cord Co. Ltd, an associate of Shougang Holding, for a term of 18 months commenced from June 2021.
  - (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.

**(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\$657,472,000 (31 December 2020: HK\$691,440,000) as at 30 June 2021.

**(d) Amount due from a related party**

Included in prepayments, deposits and other receivables, there is amount due from a related party with carrying amount of approximately HK\$73,626,000 as at 30 June 2020. In June 2020, the Group entered into an agreement with a non-controlling shareholder, who is also a related party of the Group, of a subsidiary of the Group in relation of share capital reduction. The capital reduction was completed on 13 August 2020. The balance is unsecured, repayable on demand and interest free.

**(e) Investment in related companies**

At 30 June 2021, the Group's financial assets at FVPL included listed securities of 12,370,000 shares (31 December 2020: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK\$3,278,000 (31 December 2020: HK\$2,746,000), and 46,000 shares (31 December 2020: 46,000 shares) of Shoucheng Holdings Limited ("Shoucheng") with carrying amount of HK\$86,000 (31 December 2020: HK\$101,000). 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 2021, 98% and 97% (31 December 2020: 99% and 97%), respectively, of bank balances and bank borrowings are held with these government-related financial institutions.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2021 (2020: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

Closely following the development path of empowering the industrial chain by financial services, the Company prioritised the development of its supply chain financial services in the steel industry through serving the upstream and downstream customers of Shougang Group, and centred around core enterprises in the industry to expand supply chain management and financial service business. Focusing on the two groups of target core enterprises namely steel companies and domestic conglomerates as well as their upstream and downstream customers, after thorough analysis and research, the Group seized market opportunities and continued to optimise product mix. During the period under review, the Group adhered to the main tone of fundamental work development, stressed on efficient allocation of resources and focused on steady efficiency improvement. Accordingly, the Group continued to achieve a year-on-year growth in both revenue and profit.

## KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are analysed as below:

	Six months ended 30 June		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	+ / (-) Change
<b>Financial performance</b>			
Revenue	<b>1,124,219</b>	38,601	2,812%
Gross profit margin (%)	<b>5%</b>	84%	(79%)
– Sale and leaseback arrangements services segment	<b>86%</b>	84%	2%
– Supply chain management business segment	<b>1%</b>	N/A	N/A
Profit before income tax for the period	<b>27,327</b>	13,606	101%
Profit for the period	<b>17,922</b>	8,482	111%
Profit attributable to owners of the Company	<b>11,418</b>	2,117	439%
Basic earnings per share ( <i>HK cents</i> )	<b>0.29</b>	0.05	480%

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000	+ / (-) Change
<b>Key financial indicators</b>			
Total cash	<b>204,285</b>	318,818	(36%)
Total assets	<b>2,211,859</b>	2,161,473	2%
Total liabilities	<b>431,251</b>	397,484	8%
Bank borrowings	<b>264,145</b>	290,303	(9%)
Equity attributable to owners of the Company	<b>1,455,438</b>	1,445,637	1%
Current ratio	<b>405%</b>	458%	(53%)
Debt asset ratio	<b>19.5%</b>	18.4%	1.1%

## FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$11,418,000 for the six months ended 30 June 2021, representing an increase of approximately 4.4 times when compared with the profit attributable to owners of the Company of approximately HK\$2,117,000 for the same period last year. Revenue of the Group for the six months ended 30 June 2021 was approximately HK\$1.12 billion, representing an increase of approximately 28 times when compared with that of approximately HK\$38,601,000 for the same period of 2020. The increase was mainly attributable to the increase in revenue from the supply chain management business segment. The Group recorded a gross profit of approximately HK\$52,161,000 for the six months ended 30 June 2021, representing an increase of approximately 60% when compared with that of approximately HK\$32,609,000 for the six months ended 30 June 2020. The Group's gross profit margin was approximately 5% for the six months ended 30 June 2021, representing a significant decrease when compared with the gross profit margin of approximately 84% for the same period of 2020.

The Group's revenue for the six months ended 30 June 2021 was approximately HK\$1.12 billion, representing an increase of approximately 28 times when compared with that of approximately HK\$38,601,000 for the same period of 2020. The increase was mainly attributable to the significant increase in revenue from the commencement of business covering full-process services including steel product trading and logistics under the supply chain management business segment by approximately HK\$1.08 billion. At the same time, the sale and leaseback arrangements services segment also recorded an increase in revenue of approximately HK\$5,519,000.

The Group made a gross profit of approximately HK\$52,161,000 for the six months ended 30 June 2021, representing an increase of approximately 60% when compared with that of approximately HK\$32,609,000 for the six months ended 30 June 2020. The Group's gross profit margin was approximately 5% for the six months ended 30 June 2021, representing a significant decrease when compared with the gross profit margin of approximately 84% for the same period of 2020, which was mainly attributable to the lower gross profit margin from the supply chain management business segment.

The Group's administrative expenses for the six months ended 30 June 2021 amounted to approximately HK\$25,443,000, representing a decrease of approximately 10% when compared with that of approximately HK\$28,257,000 for the same period of 2020. The decrease was mainly due to the decrease in labor cost.

The Group recorded a share of loss of associates of approximately HK\$219,000 for the six months ended 30 June 2021 (2020: profit of HK\$366,000). The loss was mainly due to the impact of the epidemic and the seasonality of the industry and the increase in business promotion expenses. The Company expects the business development of associates to pick up steadily and generate returns.

Basic earnings per share of the Group for the six months ended 30 June 2021 was HK0.29 cents (six months ended 30 June 2020: earnings per share of HK0.05 cents).

## **BUSINESS REVIEW AND OUTLOOK**

Through supply chain management 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 core enterprises 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.

During the period under review, revenue from the sale and leaseback arrangements services segment increased by approximately 15% to approximately HK\$43,303,000 (six months ended 30 June 2020: HK\$37,784,000), while the segment results recorded a profit of approximately HK\$32,325,000 (six months ended 30 June 2020: HK\$31,362,000). The increase in revenue and segment results 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 business segment recorded a significant growth in revenue of approximately HK\$1.08 billion (six months ended 30 June 2020: HK\$645,000). The results of the supply chain management business segment experienced a turnaround and recorded a profit of approximately HK\$7,178,000 (six months ended 30 June 2020: loss of HK\$557,000). Based on the business scenario of the target enterprise, the supply chain management business segment carefully analyses the capital flow, information flow, business flow, logistics, etc. of the target enterprise'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 business segment commenced business covering full-process services including steel product trading and logistics, which contributed to significant increases in revenue and segment results of the Group.

During the period under review, the assets management and consultancy services segment of the Group recorded a revenue of approximately HK\$1,459,000 (six months ended 30 June 2020: HK\$63,000). The results of the assets management and consultancy services segment experienced a turnaround and recorded a profit of approximately HK\$415,000 (six months ended 30 June 2020: loss of HK\$1,977,000). The increase in revenue and the turnaround in the segment results was mainly due to the commencement of the consultancy business at the end of last year.

During the period under review, revenue from the property leasing services segment increased to approximately HK\$309,000 (six months ended 30 June 2020: HK\$109,000), while the segment results recorded a profit of approximately HK\$829,000 (six months ended 30 June 2020: loss of HK\$991,000). The increase in revenue from the segment was mainly due to the increased occupancy rate. The increase in segment results was mainly attributable to the increase in fair value of investment properties of the Group. The Group recorded an increase in fair value of investment properties of approximately HK\$500,000 during the period under review (six months ended 30 June 2020: fair value decrease of HK\$1,000,000).

## LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group has been focusing on maintaining stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 30 June 2021 as compared to 31 December 2020 is summarised below:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Total borrowings		
Current borrowings	<b>156,299</b>	143,308
Non-current borrowings	<b>107,846</b>	146,995
Sub-total	<b>264,145</b>	290,303
 Total cash	 <b>204,285</b>	 318,818
 Total equity	 <b>1,780,608</b>	 1,763,989
Total assets	<b>2,211,859</b>	2,161,473
 Financial leverage		
Current ratio	<b>405%</b>	458%
Debt asset ratio	<b>19.5%</b>	18.4%

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$204,285,000 (31 December 2020: HK\$318,818,000), which were mainly denominated in Hong Kong dollars and Renminbi. The decrease was mainly attributable to the net repayment of bank borrowings of approximately HK\$26,356,000 and cash flows used in operating activities amounted to approximately HK\$73,038,000 which was mainly attributable to the inventories purchased as a result of the expansion of the supply chain business.

As at 30 June 2021, the Group's borrowings amounted to approximately HK\$264,145,000, of which approximately HK\$156,299,000 were repayable within twelve months from 30 June 2021 and approximately HK\$107,846,000 were repayable after twelve months from 30 June 2021. During the period under review, the Group obtained new bank borrowings of approximately HK\$12,240,000 for the supply chain management business. All loans bore interest at market rates.

## **CAPITAL STRUCTURE**

The equity attributable to owners of the Company amounted to approximately HK\$1,455,438,000 as at 30 June 2021 (31 December 2020: HK\$1,445,637,000). The increase was mainly due to the profit for the period amounting to approximately HK\$11,418,000. 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 2021, the Group had no material acquisition, disposals and significant investment.

## **CHARGE ON ASSETS**

As at 30 June 2021, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of HK\$38,600,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$6,747,000.
- (ii) The Group's receivables under sale and leaseback arrangements with a carrying value of HK\$284,591,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$181,446,000.
- (iii) The Group's trade and other receivables with an aggregate carrying value of HK\$11,123,000 were pledged to a bank to secure for bank borrowing with outstanding amount of HK\$5,952,000.

## **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 2021, the Group has no significant foreign exchange exposure.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2021.

## **EMPLOYEES**

As at 30 June 2021, the Group employed 51 (31 December 2020: 50) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the 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 2021, 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 2021.

## **APPRECIATION**

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

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

Hong Kong, 18 August 2021

*As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman), Mr. Tian Gang (Executive Director), Mr. Huang Donglin (Non-executive Director), Mr. Zhang Jianxun (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Mr. Zhang Xingyu (Independent Non-executive Director), Mr. Ng Man Fung, Walter (Independent Non-executive Director) and Ms. On Danita (Independent Non-executive Director).*

\* *For identification purpose only*