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首程控股有限公司
SHOUCHENG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- The Group recorded revenue of approximately HK\$536 million, representing an increase of approximately 55% from the same period last year.
- The Group recorded gross profit of approximately HK\$233 million, representing an increase of approximately 135% from the same period last year.
- The Group recorded profit attributable to owners of the Company of approximately HK\$261 million as compared to profit attributable to owners of the Company of approximately HK\$303 million in the same period last year.
- The basic earnings per share for the period was approximately HK3.65 cents. The basic earnings per share for the same period last year was approximately HK4.17 cents.
- The diluted earnings per share for the period was approximately HK3.65 cents. The diluted earnings per share for the same period last year was approximately HK4.14 cents.

The Board has declared an interim dividend in the total amount of HK\$208 million for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$243 million).

INTERIM RESULTS

The board of directors (the “**Board**”) of Shoucheng Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024. These interim results have been reviewed by the audit committee and the auditor of the Company.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
	<i>Note</i>	2024	2023
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	<i>3</i>	535,843	345,175
Cost of sales		(302,387)	(245,941)
Gross profit		233,456	99,234
Other income		210,314	310,709
Other gains, net		30,890	150,630
Administrative expenses		(122,094)	(142,022)
Operating profit		352,566	418,551
Finance costs		(57,651)	(54,945)
Share of results of associates		1,506	(6,834)
Share of results of joint ventures		(3,122)	(604)
Profit before income tax		293,299	356,168
Income tax expense	<i>4</i>	(49,350)	(10,617)
Profit for the period		243,949	345,551
Profit/(loss) is attributable to:			
Owners of the Company		260,551	303,194
Non-controlling interests		(16,602)	42,357
		243,949	345,551

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Six months ended 30 June	
		2024	2023
	<i>Note</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive (loss)/income			
Items that have been/may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(119,794)	(209,347)
Share of exchange differences of associates and joint ventures arising on translation of foreign operations		(19,157)	(30,268)
Items that will not be reclassified to profit or loss:			
Exchange differences arising on currency translation		(1,256)	(6,256)
Fair value changes on financial assets at fair value through other comprehensive income (“FVOCI”)		215,217	(460,194)
		<u>75,010</u>	<u>(706,065)</u>
Other comprehensive income/(loss) for the period			
		<u>318,959</u>	<u>(360,514)</u>
Total comprehensive income/(loss) for the period			
		<u>318,959</u>	<u>(360,514)</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		336,817	(396,615)
Non-controlling interests		(17,858)	36,101
		<u>318,959</u>	<u>(360,514)</u>
Earnings per share for profit attributable to owners of the Company:			
Basic earnings per share (<i>HK cents</i>)	<i>5</i>	3.65	4.17
Diluted earnings per share (<i>HK cents</i>)	<i>5</i>	3.65	4.14
		<u>3.65</u>	<u>4.14</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

		30 June 2024	31 December 2023
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		113,151	108,069
Right-of-use assets		2,268,116	1,823,259
Contract assets in respect of service concession arrangements		103,165	114,664
Investment properties		875,642	841,226
Investments in associates		237,097	241,364
Investments in joint ventures		544,099	560,605
Investments – non-current		4,626,423	3,454,413
Prepayments and deposits		164,542	173,854
Deferred income tax assets		23,095	30,497
Other non-current assets		553,636	530,288
Total non-current assets		9,508,966	7,878,239
Current assets			
Trade receivables	6	254,913	203,648
Prepayments, deposits and other receivables		394,199	253,075
Investments – current		171,402	1,173,636
Time deposits with maturity over three months		1,315,701	1,751,346
Bank balances and cash		2,706,917	2,262,573
Total current assets		4,843,132	5,644,278
Total assets		14,352,098	13,522,517

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

		30 June 2024	31 December 2023
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
EQUITY			
Capital and reserves			
Share capital	8	12,994,847	12,994,847
Reserves		(2,939,489)	(3,071,495)
		<hr/>	<hr/>
Capital and reserves attributable to owners of the Company		10,055,358	9,923,352
Non-controlling interests		99,525	117,383
		<hr/>	<hr/>
Total equity		10,154,883	10,040,735
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Borrowings – non-current		361,148	452,280
Bond payables – non-current		714,395	183,786
Lease liabilities – non-current		1,679,438	1,314,432
Deferred income tax liabilities		111,758	105,590
Financial liabilities at fair value through profit or loss – non-current		89,231	92,519
		<hr/>	<hr/>
Total non-current liabilities		2,955,970	2,148,607
		<hr/>	<hr/>
Current liabilities			
Trade payables	7	428,824	485,585
Other payables, provision and accrued liabilities		161,966	181,214
Dividend payables	9	160,604	–
Contract liabilities		55,053	58,599
Financial liabilities at fair value through profit or loss – current		222,396	292,423
Tax payable		37,828	79,540
Borrowings – current		30,697	157,131
Lease liabilities – current		143,877	78,683
		<hr/>	<hr/>
Total current liabilities		1,241,245	1,333,175
		<hr/>	<hr/>
Total liabilities		4,197,215	3,481,782
		<hr/>	<hr/>
Total equity and liabilities		14,352,098	13,522,517
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) and any public announcements made by the Company during the six months ended 30 June 2024.

The financial information relating to the year ended 31 December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2024 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong, “**Hong Kong Companies Ordinance**”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2 ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

2.1 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements.

(i) Taxes on income

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

2.1.1 New and amended standards adopted by the Group

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

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

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

2.2 Accounting estimates and judgements

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

In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

3 REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in infrastructure assets management business. Revenue recognised during the periods are as follows:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue recognised under HKFRS 15:		
Operation service income	362,078	258,945
Construction revenue from service concession agreements	11,492	7,108
Fund management services income	95,206	78,865
Excess return from investment funds	97,491	129,766
	566,267	474,684
Revenue recognised under other accounting standards:		
Leasing income	32,202	25,143
Investment loss on financial assets at FVPL	(62,626)	(154,652)
	535,843	345,175
Total revenue	535,843	345,175
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
– Overtime	566,267	474,684

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions and resources allocation. No operating segment identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

The revenue, profit before tax, total assets and total liabilities reported to the chief operating decision makers are measured in a manner consistent with that in the consolidated financial statements.

4 INCOME TAX EXPENSE

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit for the six months ended 30 June 2024 and for the six months ended 30 June 2023.

China enterprise income tax

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries in Mainland China is mainly 25% for the six months ended 30 June 2024 and for the six months ended 30 June 2023.

5 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the period is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period and excluding shares held for share incentive plan.

	Six months ended 30 June	
	2024	2023
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited)
Basic earnings per share attributable to the owners of the Company	<u>3.65</u>	<u>4.17</u>

(b) Diluted earnings per share

The diluted earnings per share for the period is calculated by dividing the adjusted profit attributable to the owners of the Company which have taken into account the after-tax interest and other related after-tax financing costs on potentially dilutive ordinary shares by the adjusted weighted average number of ordinary shares in issue for the period which have taken into account the additional ordinary shares that would have been outstanding assuming all potentially dilutive ordinary shares have been converted.

	Six months ended 30 June	
	2024	2023
	<i>HK cents</i>	<i>HK cents</i>
	(Unaudited)	(Unaudited)
Diluted earnings per share attributable to the owners of the Company	<u>3.65</u>	<u>4.14</u>

5 EARNINGS PER SHARE (CONTINUED)

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Basic and diluted earnings per share		
Profit attributable to the owners of the Company used in calculating basic and diluted earnings per share	260,551	303,194

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

	Six months ended 30 June	
	2024	2023
	Number of share '000	Number of share '000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	7,132,972	7,275,232
Adjustments for calculation of diluted earnings per share in relation to options granted to employees under the share incentive plan (Note 5(e))	–	45,572
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	7,132,972	7,320,804

(e) Effects of share options

Options granted to employees under the share incentive plan are considered to be potential ordinary shares. Certain outstanding share options as at 30 June 2024 are not included in the calculation of diluted earnings per share because they are anti-dilutive as at 30 June 2024.

6 TRADE RECEIVABLES

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Trade receivables	257,136	205,871
Less: Provision for impairment on receivables	<u>(2,223)</u>	<u>(2,223)</u>
Trade receivables – net	<u><u>254,913</u></u>	<u><u>203,648</u></u>

The credit terms of trade receivables are normally 30 to 180 days as at 30 June 2024 and 31 December 2023. The following is an ageing analysis of trade receivables net of provision for impairment losses based on the invoice dates at the end of the reporting period, which were similar to the respective revenue recognition dates:

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 60 days	56,598	79,188
61-90 days	20,430	27,787
91-180 days	46,585	21,248
Over 180 days	<u>131,300</u>	<u>75,425</u>
	<u><u>254,913</u></u>	<u><u>203,648</u></u>

7 TRADE PAYABLES

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

	As at 30 June 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Within 90 days	69,936	221,265
91-180 days	52,313	39,260
181-365 days	155,790	69,600
Over 365 days	<u>150,785</u>	<u>155,460</u>
	<u><u>428,824</u></u>	<u><u>485,585</u></u>

8 SHARE CAPITAL

	Approximate Number of Shares '000	Share Capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2023 (Audited)	7,275,935	12,546,847
Share repurchase (<i>Note (a)</i>)	(158,762)	–
Issue of new shares on 31 January 2023 (<i>Note (b)</i>)	252,802	448,000
	<hr/>	<hr/>
At 31 December 2023 and 1 January 2024 (Audited)	7,369,975	12,994,847
Share repurchase (<i>Note (c)</i>)	(72,732)	–
	<hr/>	<hr/>
At 30 June 2024 (Unaudited)	<u>7,297,243</u>	<u>12,994,847</u>

Note:

- (a) During the year ended 31 December 2023, 203,026,000 ordinary shares of the Company were repurchased at a price ranging from HK\$1.29 to HK\$2.30 per share. The total amount paid for the repurchase was approximately HK\$378,685,000. The repurchased ordinary shares of 158,762,000 have been cancelled during the twelve months ended 31 December 2023. The residual 44,264,000 repurchased ordinary shares of the Company have been cancelled subsequently.
- (b) On 31 January 2023, the Company placed a total of approximately 252,802,000 ordinary shares of the Company to Sunshine Life Insurance Corporation Limited at a placing price of HK\$1.80 per share. The net proceeds of the placing amounts to approximately HK\$448,000,000. For details, please refer to the Company's announcements dated 13 January 2023 and 31 January 2023.
- (c) During the six months ended 30 June 2024, 31,468,000 ordinary shares of the Company were repurchased at a price ranging from HK\$1.32 to HK\$1.62 per share. The total amount paid for the repurchase was approximately HK\$46,463,000. The repurchased ordinary shares of 28,468,000 together with the repurchased ordinary shares of 44,264,000 in December 2023, totalling 72,732,000 ordinary shares have been cancelled during the six months ended 30 June 2024. The residual 3,000,000 repurchased ordinary shares of the Company have been cancelled subsequently.

9 DIVIDENDS

Dividends recognised during the half-year

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend	160,539	400,279

In a board resolution dated 28 March 2024, the Board declared a final dividend in the total amount of HK\$161 million for the year ended 31 December 2023 payable to shareholders whose names appear on the register of members of the Company at the close of business on 16 July 2024. The final dividend was approved at the annual general meeting held on 23 May 2024. The final dividends have been recognised as liabilities at 30 June 2024 and were paid on 5 August 2024.

The dividend distribution includes approximately HK\$4 million which will be received by the treasury shares held by the Company for the shares incentive plan during the period ended 30 June 2024 (during the period ended 30 June 2023: approximately HK\$9 million).

Dividends not recognised at the end of the half-year

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Declared and payable after interim period	208,430	243,000

The Board has declared an interim dividend in the total amount of HK\$208 million (equivalent to HK2.86 cents per share, based on the number of issued shares on 24 August 2024, i.e. 7,287,773,440 shares) for the six months ended 30 June 2024, which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 26 September 2024. The interim dividend has not been recognised as liabilities as at 30 June 2024.

INTERIM DIVIDEND

The Board has declared an interim dividend in the total amount of HK\$208 million (equivalent to HK2.86 cents per share based on the number of ordinary shares of the Company (the “**Shares**”) in issue on 24 August 2024 (i.e. 7,287,773,440 Shares)) for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$243 million), which is payable to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 26 September 2024. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 26 September 2024 for registration. The interim dividend is expected to be paid on Friday, 15 November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

The Group focused on the investment, operation and management of core infrastructure assets in China that have long-term value. Driven by its two core competencies of asset operation and FIME (FIME is defined as fundraising, investment, management and exit), the Group has built infrastructure asset cycle life management service capabilities and provided in-depth services to its customers.

In the first half of 2024, the Group recorded revenue of approximately HK\$536 million, representing an increase of approximately 55% compared to the six months ended 30 June 2023 (the “**Corresponding Period in 2023**”), of which revenue from asset operation amounted to approximately HK\$406 million, representing an increase of approximately 40% as compared to the Corresponding Period in 2023. Revenue from FIME amounted to approximately HK\$130 million, representing an increase of approximately 138% as compared to the Corresponding Period in 2023. The significant increase of the Group’s revenue is, on the one hand, attributed to the growth of the scale of assets under management of the Group, such as the project of parking operating rights of Guangzhou Baiyun International Airport* (“**Guangzhou Baiyun Airport Parking Operation Rights Project**”, 廣州白雲機場停車場經營權項目) and the car park project of Beijing Fengtai Station* (“**Beijing Fengtai Station Parking Lot Project**”, 北京豐台站停車場項目) that were put into operation at the beginning of the year which have provided strong momentum for the growth of asset operating revenue. On the other hand, the scale of funds under management of the Group has also increased, continuously contributing stable fund management fee income to the Group.

In the first half of 2024, profit attributable to owners of the Company amounted to approximately HK\$261 million, as compared to profit attributable to owners of the Company of approximately HK\$303 million for the Corresponding Period in 2023. In the first half of 2024, the Group’s basic earnings per share and diluted earnings per share was approximately HK3.65 cents. The Group’s basic earnings per share was approximately HK4.17 cents and diluted earnings per share was approximately HK4.14 cents for the Corresponding Period in 2023.

* For identification purpose only

KEY PERFORMANCE INDICATORS REVIEW

	For the six months ended 30 June	
	2024 <i>HK\$ million</i>	2023 <i>HK\$ million</i>
Revenue	536	345
Including: Revenue from asset operation	406	291
Revenue from FIME [^]	130	54
Adjusted EBITDA*	467	456
Operating profit	353	419
Profit attributable to the owners of the Company	261	303

	For the six months ended 30 June	
	2024 <i>HK cents</i>	2023 <i>HK cents</i>
Basic earnings per share	3.65	4.17
Diluted earnings per share	3.65	4.14

	As at 30 June 2024 <i>HK\$ million</i>	As at 31 December 2023 <i>HK\$ million</i>
	Total assets	14,352
Net assets	10,155	10,041
Asset – Liability ratio [#]	29.2%	25.7%
Debt – Equity ratio [△]	11.0%	8.0%

[^] *FIME is defined as fundraising, investment, management and exit.*

^{*} *The definition and calculation of Adjusted EBITDA are set out in pages 17 and 19 of this announcement.*

[#] *The definition and calculation of Asset – Liability ratio are set out in pages 17 and 24 of this announcement.*

[△] *The definition and calculation of Debt – Equity ratio are set out in pages 17 and 25 of this announcement.*

Non-HKFRSs Measures

Profit before income tax plus non-controlling interest, finance costs, depreciation, and amortisation is defined as the adjusted EBITDA (the “**Adjusted EBITDA**”) of the Group. The Adjusted EBITDA is presented because they are used by management to evaluate operating performance. The calculation of Adjusted EBITDA is set out in page 19 of this announcement.

The total liabilities divided by total assets is defined as the Asset – Liability ratio (the “**Asset – Liability ratio**”) of the Group. The Asset – Liability ratio is presented because it is used by management to evaluate the Group’s debt level. The calculation of the Asset – Liability ratio is set out in page 24 of this announcement.

The total borrowings divided by capital and reserves attributable to owners of the Company is defined as the Debt – Equity ratio (the “**Debt – Equity ratio**”) of the Group. The Debt – Equity ratio is presented because it is used by management to evaluate how the Group utilise its borrowings for financing the business and operations for growth. The calculation of the Debt – Equity ratio is set out in page 25 of this announcement.

The Adjusted EBITDA, Asset – Liability ratio and Debt – Equity ratio are used as additional financial measures to supplement the Group’s consolidated financial statements which are presented in accordance with HKFRSs.

The Group believes that the Adjusted EBITDA, Asset – Liability ratio and Debt – Equity ratio provide meaningful supplemental information regarding the Group’s performance and the core operating results, enhances the overall understanding of the Group’s past performance and future prospects and allows for greater visibility with respect to key metrics used by the Group’s management in its financial and operational decision-making. It would help the investors of the Company and others understand and evaluate the Group’s consolidated results of operations in the same manner as management and in comparing financial results across different accounting periods.

FINANCIAL REVIEW

The six months ended 30 June 2024 compared to the six months ended 30 June 2023:

Revenue and Cost of Sales

In the first half of 2024, the Group recorded revenue of approximately HK\$536 million, representing an increase of approximately 55% as compared to the Corresponding Period in 2023. As the scale of parking lot asset management continues to increase, revenue from asset operation has gradually increased. During the period, the revenue generated from asset operation amounted to approximately HK\$406 million, representing an increase of approximately 40% as compared to the Corresponding Period in 2023. The Group recorded revenue from FIME of approximately HK\$130 million, representing an increase of approximately 138% as compared to the Corresponding Period in 2023. The Group focused on improving the internal operation and management system which further enhanced efficiency, resulted in cost reduction, and gradually increased the overall gross profit of asset operation. The gross profit margin for the first half of 2024 was approximately 43.6%, representing an increase of absolute value of approximately 14.9% as compared to approximately 28.7% for the Corresponding Period in 2023.

Finance costs

During the first half of 2024, finance costs of the Group amounted to approximately HK\$58 million, representing an increase of approximately 5% as compared to the Corresponding Period in 2023. The finance costs are mainly attributable to the interests on lease liabilities derived from the adoption of HKFRS 16 Leases and the interest on the borrowings and bond payables.

Taxation

Provision for taxation amounting to approximately HK\$49 million was made for the first half of 2024, while provision for taxation of approximately HK\$11 million was made for the Corresponding Period in 2023.

Income tax expenses mainly includes the enterprise income tax calculated at a tax rate mainly of 25% for the Group's major PRC subsidiaries incorporated in the Mainland China.

Adjusted EBITDA

The Adjusted EBITDA attempts to represent cash profit generated by the core operations by stripping out the 1) non-cash items, including depreciation and amortisation; 2) income tax expenses depending on different tax rates in different countries; 3) finance costs depending on the Group's capital structure and not directly attributable to the Group's core operating results; and 4) non-controlling interest, which is not directly attributable to owners of the Company.

During the first half of 2024, the Adjusted EBITDA of the Group amounted to approximately HK\$467 million, representing an increase of approximately 2.4% as compared to the Corresponding Period in 2023.

The following table reconciles the Group's profit before income tax to Adjusted EBITDA for the periods presented:

	For the six months ended	
	30 June	
	2024	2023
	<i>HK\$ million</i>	<i>HK\$ million</i>
	(Unaudited)	(Unaudited)
Profit before income tax	293	356
1. Non – controlling interests	9	(50)
2. Finance costs	58	55
3. Depreciation of property, plant and equipment	4	3
4. Depreciation of right-of-use assets	97	86
5. Amortisation of other non-current assets	6	6
Adjusted EBITDA	<u>467</u>	<u>456</u>

REVIEW OF OPERATIONS

The Group focused on the investment, operation and management of core infrastructure assets in China that have long-term value. Driven by its two core competencies of asset operation and FIME, the Group is gradually entering a new stage of “Asset Circulation + Strong Operations”. On the one hand, the Group relies on its efficient resource integration capabilities to continuously expand the scale of premium core infrastructure assets with long-term value in China. On the other hand, the Group has gradually built up a full life cycle management and service capabilities in infrastructure assets by leveraging its years of accumulated asset operation experience and improving operational efficiency through technological empowerment. At the same time, the Group has developed professional FIME capabilities by building a horizontal asset financing value-added chain and a vertical asset incubation value-added chain, realizing a closed business loop of “fundraising + investment + management + exit”.

Steady growth in asset management scale and steady enhancement in operating efficiency

The Group’s asset management business of car parks in transport hubs has been transformed from a point into a line, and from a line into a surface, and has achieved an all-round network of “East, South, West, North and Central” business layout across China. In the first quarter of 2024, the Group efficiently completed the Guangzhou Baiyun Airport Parking Operation Rights Project* (廣州白雲機場停車場經營權項目) and Beijing Fengtai Station Parking Lot Project* (北京豐台站停車場項目). In July 2024, the Company announced that it successfully obtained the parking lot operation rights of Tibet Lhasa Gonggar Airport parking lot project* (“**Tibet Lhasa Airport Parking Lot Project**”, 西藏拉薩機場停車場項目), which is the world’s largest higher plateau airport for 8 years.

The acquisition of projects such as the Guangzhou Baiyun Airport Parking Operation Rights Project (廣州白雲機場停車場經營權項目), Beijing Fengtai Station Parking Lot Project (北京豐台站停車場項目) and Tibet Lhasa Airport Parking Lot Project (西藏拉薩機場停車場項目) not only consolidated the Group’s leading position in the transportation hub parking lot asset management business, but also further expanded the scale of the Group’s parking asset management. The Group will continue to leverage its rich experience in the asset management business of transportation hub car parks, innovate and provide the market with better ancillary travel services as well as a comfortable parking experience to the public, with a view of maintaining and expanding its leading position in the asset management business of transportation hub car parks.

The Group attaches great importance to the changes in operating models and enhancements in operating efficiency by technological investment. In the first half of 2024, the Group successfully completed the iterative upgrade of the parking management system. The new version of the parking management system enriches product functions, greatly improves the user experience, and has significantly improved stability and scalability. The overall functions further meet the differentiated operational needs of the Group’s different product lines of parking assets. The Group will continue to promote digital intelligence construction, build a full-life cycle parking management system, and provide comprehensive parking lot operations service with profession, digitation, standardization and intelligence.

* For identification purpose only

In terms of park asset management, in the first quarter of 2024, the Group led the entire planning and design of the first customized service project in the Beijing Shunyi District. The second phase of the Li Auto Headquarters project* (理想汽車總部二期項目) has been fully operational. In the second quarter of 2024, the Group has made further progress to extend the service chain of the assets which were managed and held by the Group. The Group has established a joint venture with China World Property & Hotel Management Co., Ltd* (國貿物業酒店管理有限公司) which focused on constructing a closed-loop asset management system to consolidate and strengthen the Group's asset operation capability, enhance the Group's ability to provide one-stop solutions to asset holders throughout the entire lifecycle, and contribute to the enhancement of operating income from the projects under management. At the same time, the Group's recruitment work in the industrial parks managed by the Group has been progressing steadily, and the overall occupancy rate of Chang'an Mills project* in Beijing ("Chang'an Mills project", 六工匯項目) has exceeded 95%. In the first quarter of 2024, the Group was first engaged in the Beijing Shougang Winter Olympics Plaza project* (北京市首鋼冬奧廣場項目), which has attracted a number of well-known enterprises and platforms to settle in. The development progress of the projects under management in Beijing, which include Rongshi Square* (融石廣場) and Shoucheng Times Center* (首程時代中心) are progressing steadily, and investment reserves are being laid out in advance.

Asset value enhancement, building up “Asset acquisition – Operational efficiency enhancement – Asset securitisation – Reinvestment of cash backflow” FIME eco-system

In the first half of 2024, the Group successfully issued the first tranche of 3-year medium-term notes with an issuance scale of RMB500 million (equivalent to approximately HK\$535 million) at a coupon rate of 2.5%. This issuance set a record low interest rate of the same maturity period for overseas registered enterprises in Beijing. The issuance effectively reduced the Group's consolidated financing costs and demonstrated the market's confidence in and recognition of the Group.

The Group's parking asset quasi-Real Estate Investment Trusts (“REITs”) product, “Guojun-Shoucheng Holdings Smart Parking Asset-backed Special Plan Phase II* (國君-首程控股智慧停車資產第二期支持專項計畫)”, which used eight of the Group's self-owned parking lot projects as underlying assets, has recently received a no objection letter from the Shenzhen Stock Exchange for listing conditions. This is the Group's second practice after the issuance of the market's first parking asset REITs product in 2023, and it also signifies that the Group's asset operation capability has been fully recognized in the capital market.

The Beijing Robot Fund (北京機器人基金), in which the Group is the executive partner, has a target scale of RMB10 billion. In the first half of 2024, it took the lead in completing multiple investments, covering various robotics subfields such as embodied intelligence, brain-computer interfaces, bionic robots, and medical robots. In the future, the Group will leverage its industry resource advantages to identify high-quality enterprises, grow with them in the real economy, and empower them in the long term. This will help to create a new engine of productivity for Beijing. The Group firmly believes that the more it contributes to society, the greater the long-term return will be.

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Infrastructure REITs as the base

In the first half of 2024, favorable long-term policies were frequently introduced in the REITs market. Following the release of the “Application of Regulatory Rules – Accounting No. 4”* (《監管規則適用指引—會計類第4號》) by the China Securities Regulatory Commission in February 2024, the equity attributes of REITs have been further clarified. In April 2024, the State Council issued the “Several Opinions on Strengthening Supervision, Preventing Risks and Promoting High-quality Development of the Capital Market”* (《關於加強監管防範風險推動資本市場高質量發展的若干意見》), which proposed to include eligible REITs from China and Hong Kong in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programs. Recently, the National Development and Reform Commission issued the “Notice on Comprehensively Promoting the Regular Issuance of Real Estate Investment Trusts (REITs) in the Infrastructure Sector”* (《關於全面推動基礎設施領域不動產投資信託基金(REITs)項目常態化發行的通知》). The important role of infrastructure REITs in enhancing innovation in investment and financing mechanisms, deepening capital market reforms, and serving the development of the real economy has been increasingly evident.

The Group has assisted several companies in completing the integration of assets and issuance of REITs through professional REITs consulting services. In the first half of 2024, the Group’s REITs consulting project for the AVIC Yishang Warehousing and Logistics REIT* (中航易商倉儲物流REIT) has received approval from the China Securities Regulatory Commission for its listing application. Additionally, the Group’s REITs consulting project for the Beijing Energy Photovoltaic REIT* (京能光伏REIT擴募) has been successfully submitted and accepted by the Shanghai Stock Exchange. The Group also participated in the strategic placement investment of the Huaxia TBEA New Energy REIT* (華夏特變電工新能源REIT) in the first half of 2024.

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PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Company manages its financial risks in accordance with guidelines laid down by its Board. The Operating Finance Department identifies and evaluates financial risks in close co-operation within the Group to cope with overall risk management, as well as specific areas, such as market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Currency risk

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

Interest rate risk

The Group holds interest bearing assets and liabilities including cash at banks, borrowings and bond payables. The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate cash at banks and borrowings.

CAPITAL STRUCTURE

The capital structure of the Group consists of borrowings, bond payables and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The directors review the capital structure on a semi-annual basis. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issuance of new debt or the redemption of existing debts.

LIQUIDITY AND FINANCIAL RESOURCES

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

The assets with high liquidity, Asset – Liability ratio and Debt – Equity ratio of the Group as at 30 June 2024 as compared to 31 December 2023 are summarised below:

1. Assets with high liquidity

	As at 30 June 2024 <i>HK\$ million</i> (Unaudited)	As at 31 December 2023 <i>HK\$ million</i> (Audited)
Bank balances and cash	<u>2,707</u>	<u>2,263</u>
Wealth management products and fixed income financial assets	<u>1,506</u>	<u>1,982</u>

2. Asset – Liability ratio

As at 30 June 2024, the Asset – Liability ratio of the Group is approximately 29.2%, representing an increase of absolute value of approximately 3.5% as compared to 31 December 2023.

The following table shows the Group's total liabilities and total assets for the periods presented:

	As at 30 June 2024 <i>HK\$ million</i> (Unaudited)	As at 31 December 2023 <i>HK\$ million</i> (Audited)
Total liabilities	4,197	3,482
Total assets	14,352	13,523
Asset – Liability ratio	29.2%	25.7%

3. Debt – Equity ratio

As at 30 June 2024, the Debt – Equity ratio of the Group is approximately 11.0%, representing an increase of absolute value of approximately 3.0% as compared to 31 December 2023.

The following table shows the Group’s total borrowings and capital and reserves attributable to owners of the Company for the periods presented:

	As at 30 June 2024 HK\$ million (Unaudited)	As at 31 December 2023 HK\$ million (Audited)
Total borrowings	1,106	793
Including: Borrowings – non-current and current (Note (a))	392	609
Bond payable – non-current (Note (b))	714	184
Capital and reserves attributable to owners of the Company	10,055	9,923
Debt – Equity Ratio	11.0%	8.0%

Note (a) Borrowings

As at 30 June 2024, the balance of the Group’s term loan financing from banks was approximately HK\$392 million, which was mainly for the investment in the operation rights of the Beijing Daxing International Airport Parking Building* (北京大興國際機場停車樓).

Note (b) Parking asset quasi-REITs structured asset securitization product (“Quasi-REITs Structured Asset Securitisation Product”)

As at 30 June 2024, the balance of the Quasi-REITs Structured Asset Securitisation Product issued by the Company’s wholly-owned subsidiary E Park Investment Management Co., Ltd.* (驛停車(北京)投資管理有限公司) was approximately HK\$179 million.

3-year medium-term notes

In May 2024, the company issued 3-year medium-term notes with an issuance scale of RMB500 million (equivalent to approximately HK\$535 million) at a coupon rate of 2.5%.

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SIGNIFICANT INVESTMENT HELD

Save as disclosed below, there were no other significant investment held by the Group during the period.

Name of strategic investments	Investment cost	Proportion and unit of issued shares subscription fund units held by the Group		Fair value	Proportion of fair value to the total assets to the Group	Unrealised fair value gains/(losses)	Dividends received
						For the six months ended 30 June 2024	
						For the year ended 31 December 2023	
Shougang Fushan Resources Group Limited ("Shougang Resources") (Note (a))	HKD 1,834,347,000	774,743,000	15.72%	HKD 2,479,179,000	17.27%	HKD 247,918,000	HKD 139,454,000
CICC GLP Warehousing and Logistics Closed Infrastructure Securities Investment Fund* (the "CICC GLP REIT fund") (Note (b))	RMB 626,500,000	160,170,000	8.26%	RMB 572,769,000	4.26%	RMB 26,588,000	RMB 8,108,000
Shougang Resources (Note (a))	HKD 1,834,347,000	774,743,000	15.72%	HKD 2,231,261,000	16.50%	HKD 302,150,000	HKD 319,384,000
CICC GLP REIT fund (Note (b))	RMB 626,500,000	160,170,000	8.26%	RMB 546,181,000	4.43%	RMB (306,369,000)	RMB 32,211,000

In the long term, based on the stable performance of Shougang Resources and the stable and diversified underlying assets portfolio of the CICC GLP REIT fund and the rental income generated by its leases, the earnings of the CICC GLP REIT fund are expected to remain at a relatively consistent pace over time. Therefore, looking forward, the Board believes that the strategic investments will strive to generate stable returns to the Group.

Note (a) Shougang Resources

Shougang Resources is a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the main board of the Stock Exchange of Hong Kong Limited with stock code 639 and is a major hard coking coal producer in China.

Note (b) CICC GLP REIT fund

The CICC GLP REIT fund is an infrastructure fund established in the PRC which mainly invests in projects of which warehousing and logistics infrastructure projects are the final investment targets. Its fund manager is CICC Fund Management Co., Ltd.* (中金基金管理有限公司) and its fund units are listed on the Shanghai Stock Exchange.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions or disposals by the Group during the first half of 2024.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There were no material events occurring after the reporting period required to be disclosed.

* For identification purpose only

USE OF PROCEEDS

- On 10 August 2020, the Company completed the subscription agreement (“**Poly Platinum Subscription**”) with Poly Platinum Enterprises Limited (“**Poly Platinum**”), pursuant to which the Company has conditionally agreed to issue, and Poly Platinum conditionally agreed to subscribe for the 1% convertible bonds, in the aggregate principal amount of HK\$300 million, with net proceeds of approximately HK\$295 million.

As at 31 December 2023, the Company has utilised approximately HK\$146 million of the net proceeds from the Poly Platinum Subscription. The Company decided to reallocate the amount of unutilised net proceeds as at 31 December 2023 of approximately HK\$149 million, such that approximately HK\$89 million and approximately HK\$60 million will be used for the purpose of investing in the Group’s infrastructure asset management business and general working capital, respectively (the “**Reallocation**”). The Reallocation will give the Group a greater flexibility in cash flow management, enrich its financial resources, and at the same time reserve the right to use the unutilised net proceeds for its original business development plan when suitable opportunities arise. This also enables the Group to satisfy its operational needs while seizing market opportunities and optimizing the Group’s business model.

As at 30 June 2024, the Group applied the proceeds of the Poly Platinum Subscription in the following manner:

Intended use of net proceeds	Amount of the net proceeds raised <i>HK\$ million</i>	Amount of unutilised net proceeds as at 1 January 2024 after the Reallocation <i>HK\$ million</i>	Amount of utilised net proceeds for the six months ended 30 June 2024 <i>HK\$ million</i>	Amount of unutilised net proceeds as at 30 June 2024 <i>HK\$ million</i>	Expected timeline for the use of unutilised net proceeds [#]
Financing the expansion of the Group’s business in management and operation of car parking assets in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group	295	Not applicable	Not applicable	Not applicable	Not applicable
Invest in the Group’s infrastructure asset management business	–	89	89	–	Not applicable
General working capital	–	60	60	–	Not applicable
Total	295	149	149	–	

[#] The full amount of the net proceeds of the Poly Platinum Subscription have been applied in accordance with the indicative timetable set forth above.

EMPLOYEES RELATIONSHIP

The Group had a total of 427 employees as at 30 June 2024. All subsidiaries of the Company promote equal employment opportunities. The Group strictly complies with regulations of state and local governments and adopts a fair, just, and open recruitment process in order to provide employees with an equal, diverse and discrimination-free working environment. In the process of recruitment, training and promotion, the Group provides equal treatment to all candidates to safeguard employees' rights and interests.

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

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

Remuneration package for Hong Kong employees includes salary, discretionary bonus, project bonus, medical allowance, hospitalization plans and share incentive plan to subscribe for the Shares. All Hong Kong subsidiaries of the Company provide retirement fund scheme for Hong Kong employees as part of employee welfare.

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

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

The Company adopted a share incentive plan in 2021. The scope of the participants include executive directors, core management, technical and business backbone personnel of the Group. The purposes of the share incentive plan are to align the interests of employees, Company and the shareholders for the Group's long-term development, to attract, motivate and retain talent, to establish and improve the long-term incentive mechanism of the Group, with a view to achieving the objectives of further enhancing shareholders' value. For further details, please refer to (i) the announcements of the Company dated 29 July 2021, 12 October 2021, and 5 November 2021; and (ii) the circular of the Company dated 15 October 2021.

PROSPECTS

The Group has accumulated rich operational experience and developed a mature product model in core infrastructure assets with long-term value. On this basis, the Company has established an asset exit channel, and is entered into a new phase of “Asset Circulation + Strong Operations”, starting to transform from an “asset operation company” to an “asset management company”.

In the short and medium term, the Group will continue to deepen its asset lightening capabilities, so as to achieve a deep integration of asset operation and FIME. Horizontally, the Group is committed to enhancing its asset operation capabilities, achieving full lifecycle management of asset design, construction, operation, and quality enhancement to ensure continuous value-added returns across various asset categories. Simultaneously, in the vertical development of asset value, the Company will strengthen its FIME capabilities, utilizing its own funds for full-chain operations, and ultimately completing the exit through asset securitization and other ways.

In the long term, our group will move towards the stage of “asset recycling+digitalization” and create a scarcity sustainable growth model. On the one hand, our group will strengthen asset recycling while focusing on the technological development of our business. On the other hand, our group enhances asset surcharges through technological empowerment value, expanding the value-added service areas of assets, and achieving asset value enhancement.

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

During the six months ended 30 June 2024, the Company bought back a total of 31,468,000 Shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of HK\$46,463,038.99. All such bought back Shares were subsequently cancelled.

Particulars of the Shares bought back during the period are set out below:

Month	Number of Shares bought back	Price paid per Share		Aggregate Consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2024	9,496,000	1.62	1.35	14,242,925.73
February 2024	8,560,000	1.60	1.36	12,813,924.07
April 2024	7,896,000	1.54	1.40	11,819,393.24
May 2024	2,254,000	1.45	1.35	3,152,132.06
June 2024	<u>3,262,000</u>	1.38	1.32	<u>4,434,663.89</u>
Total	<u><u>31,468,000</u></u>			<u><u>46,463,038.99</u></u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2024.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our shareholders and potential investors for their trust and support to the Group. The Group focuses on China Core Infrastructure Assets (“CCIA”), leveraging its extensive experience in asset operation and professional FIME capabilities. The Group has created a “Asset Circulation + Strong Operation” business model, established a closed-loop service system for the full life cycle management of infrastructure assets, and is committed to be a leading service provider of CCIA.

By order of the Board
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 24 August 2024

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