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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “Board”) of Shougang Concord Grand (Group) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue under sale and leaseback arrangements and entrusted loan arrangements	3	78,691	71,601
Revenue from supply chain management services	3	4,634	–
Consultancy service income and property leasing income	3	2,053	6,101
Total revenue		85,378	77,702
Cost of sale and leaseback arrangements and consultancy services		(11,618)	(20,058)
Gross profit		73,760	57,644
Other income	4	12,388	21,191
Other gains, net	5	13,734	1,094
Selling expenses		(1,420)	(402)
Administrative expenses		(68,079)	(65,232)
Change in fair value of investment properties		(1,000)	2,400
Change in fair value of financial assets at fair value through profit or loss		272	204
Reversal of impairment provision, net		5,916	1,887
Operating profit		35,571	18,786

	Notes	2020 HK\$'000	2019 HK\$'000
Finance costs	6	(1,676)	(5,987)
Share of profit of associates	11	<u>1,258</u>	<u>2,614</u>
Profit before income tax		35,153	15,413
Income tax expense	7	<u>(16,959)</u>	<u>(14,830)</u>
Profit for the year		<u>18,194</u>	<u>583</u>
Profit/(loss) is attributable to:			
Owners of the Company		5,980	(7,921)
Non-controlling interests		<u>12,214</u>	<u>8,504</u>
		<u>18,194</u>	<u>583</u>
Other comprehensive (loss)/income			
<i>Items that have been/may be reclassified to profit or loss:</i>			
Changes in fair value of debt instruments at fair value through other comprehensive income		(173)	1,735
Transfer to profit or loss on disposal of debt instrument at fair value through other comprehensive income		(29)	(1,022)
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		92,120	(18,497)
Share of currency translation difference of an associate for using equity method		5,273	(1,370)
Change in fair value of equity instruments at fair value through other comprehensive income		<u>–</u>	<u>(2,917)</u>
Other comprehensive income/(loss) for the year		<u>97,191</u>	<u>(22,071)</u>
Total comprehensive income/(loss) for the year		<u>115,385</u>	<u>(21,488)</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		83,230	(25,472)
Non-controlling interests		<u>32,155</u>	<u>3,984</u>
		<u>115,385</u>	<u>(21,488)</u>
Earnings/(loss) per share			
Basic and diluted (HK cents)	9	<u>0.15</u>	<u>(0.20)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

		2020	2019
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		22,371	25,369
Right-of-use assets		39,543	40,827
Investment properties		23,700	24,700
Intangible assets	10	68,364	68,033
Interest in associates	11	91,362	88,361
Receivables under sale and leaseback arrangements	12	771,927	864,582
Debt instruments at fair value through other comprehensive income		15,886	31,676
Financial assets at fair value through profit or loss		2,847	2,575
Prepayments		4,201	3,019
Deferred tax assets		2,399	10,088
Total non-current assets		1,042,600	1,159,230
Current assets			
Receivables under sale and leaseback arrangements	12	608,522	426,614
Trade and bill receivables	13	36,132	–
Prepayments, deposits and other receivables		155,401	6,024
Term deposits with initial term over three months		–	94,382
Cash and cash equivalents		318,818	607,782
Total current assets		1,118,873	1,134,802
Total assets		2,161,473	2,294,032
EQUITY			
Share capital	15	39,846	39,846
Reserves		1,405,791	1,315,303
Capital and reserves attributable to owners of the Company		1,445,637	1,355,149
Non-controlling interests		318,352	388,349
Total equity		1,763,989	1,743,498

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	14	146,995	168,539
Security deposits received		5,952	8,427
Lease liabilities		<u>–</u>	<u>1,917</u>
Total non-current liabilities		<u>152,947</u>	<u>178,883</u>
Current liabilities			
Other payables and accruals		62,014	25,222
Current tax liabilities		31,346	26,301
Secured bank borrowings	14	143,308	297,018
Security deposits received		5,952	20,899
Lease liabilities		<u>1,917</u>	<u>2,211</u>
Total current liabilities		<u>244,537</u>	<u>371,651</u>
Total liabilities		<u>397,484</u>	<u>550,534</u>
Total equity and liabilities		<u>2,161,473</u>	<u>2,294,032</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2.

New standards and amendments adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

(a) Expected credit loss allowance of receivables under sale and leaseback arrangements

The provision for expected credit losses of receivables under sale and leaseback arrangements is based on assumptions about risk of default and expected loss rates. The impairment loss recognised or reversed is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument.

The Group applies a three-stage impairment model to calculate the expected credit losses and the impairment model that involved significant judgement and assumption from the management. In determining the credit risk stage of each borrower, the Group takes into consideration the credit profiles, historical repayment patterns, publicly available information of these borrowers, reports from independent credit rating agencies and forward looking factors such as market conditions and economic growth. The Group measures expected credit losses based on individual assessment of each borrower, after considering their credit profile with reference to credit ratings assigned by independent credit rating agencies. Judgement is required to determine whether a borrower experienced significant increase in credit risk.

(b) Impairment of goodwill

The Group tests whether goodwill has suffered any impairment on an annual basis. For the years ended 31 December 2020 and 2019, the recoverable amount of cash-generating units ("CGUs") was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

(c) Income taxes and deferred income tax

Significant judgements are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred income tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences can be utilised. The outcome of their actual utilisation may be different.

3 SEGMENT INFORMATION

Information reported to the Managing Director, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

Sale and leaseback arrangements service is engaging in collateral financing activities. Property leasing service is engaging in rental of properties. Assets management and consultancy service is engaging in the provision of referral and corporate financial advisory services. Supply chain management service is engaging in the provision of logistic and agency services.

Segment results represent the profit or loss of each segment without allocation of central administration costs, gain on disposal of debt instruments at fair value through other comprehensive income (“FVOCI”), reversal for impairment losses in debt instruments at FVOCI, changes in fair value of financial assets at fair value through profit or loss (“FVPL”), finance costs, and share of profit of associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group’s revenue and results by operating and reportable segments. Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

	Sale and leaseback arrangements services HK\$'000	Property leasing services HK\$'000	Assets management and consultancy services HK\$'000	Supply chain management services HK\$'000	Total HK\$'000
During the year ended 31 December 2020					
Revenue under sale and leaseback arrangements	78,691	–	–	–	78,691
Revenue from supply chain management services	–	–	–	4,634	4,634
Property leasing income	–	339	–	–	339
Consultancy service income	–	–	1,054	660	1,714
 Segment revenue	<u>78,691</u>	<u>339</u>	<u>1,054</u>	<u>5,294</u>	<u>85,378</u>
 Segment results	<u>65,976</u>	<u>(970)</u>	<u>(5,259)</u>	<u>2,431</u>	<u>62,178</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> (Restated)	Supply chain management services <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i>
During the year ended 31 December 2019					
Revenue under sale and leaseback arrangements	71,568	–	–	–	71,568
Entrusted loan payment interest income	33	–	–	–	33
Property leasing income	–	573	–	–	573
Consultancy service income					
– recognised point in time	–	–	4,812	–	4,812
– recognised over time	–	–	–	716	716
Segment revenue	<u>71,601</u>	<u>573</u>	<u>4,812</u>	<u>716</u>	<u>77,702</u>
Segment results	<u>48,331</u>	<u>2,065</u>	<u>(305)</u>	<u>(2,070)</u>	<u>48,021</u>
				2020	2019
				<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results				62,178	48,021
Unallocated					
Central administration costs				(29,648)	(36,422)
Changes in fair value of financial assets at FVPL				272	204
Gain on disposal of debt instruments at FVOCI				29	1,022
Other income (<i>Note</i>)				2,711	5,885
Reversal for impairment losses in debt instruments at FVOCI				29	76
Finance costs				(1,676)	(5,987)
Share of profit of associates				<u>1,258</u>	<u>2,614</u>
Profit before tax				<u>35,153</u>	<u>15,413</u>

Note:

Unallocated other income represents interest income from debt instruments at FVOCI and bank deposits held by investment holding companies and government grant received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Segment assets		
Sale and leaseback arrangements services	1,576,469	1,553,347
Supply chain management services	274,395	227,871
Property leasing services	24,718	36,313
Assets management and consultancy services	71,175	86,350
	<hr/>	<hr/>
Total segment assets	1,946,757	1,903,881
Interest in associates	91,362	88,361
Debt instruments at FVOCI	15,886	31,676
Financial assets at FVPL	2,847	2,575
Term deposits with initial term over three months	–	94,382
Other unallocated assets	104,621	173,157
	<hr/>	<hr/>
Consolidated assets	<u>2,161,473</u>	<u>2,294,032</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i> (Restated)
Segment liabilities		
Sale and leaseback arrangements services	292,052	389,207
Supply chain management services	19,223	529
Property leasing services	224	60
Assets management and consultancy services	1,395	23
	<hr/>	<hr/>
Total segment liabilities	312,894	389,819
Unallocated secured bank borrowings	78,170	150,950
Other unallocated liabilities	6,420	9,765
	<hr/>	<hr/>
Consolidated liabilities	<u>397,484</u>	<u>550,534</u>

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

- all assets are allocated to reportable segments other than interest in associates, debt instruments at FVOCI, financial assets at FVPL, term deposits with initial term over three months and other unallocated assets (including primarily unallocated property, plant and equipment, cash and cash equivalents and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for sale and leaseback arrangements services and other unallocated liabilities.

Geographical information

The Group operates in two principal geographical areas – the Mainland China (for the purpose of this announcement, “Mainland China” refers to the mainland of the People’s Republic of China (the “PRC”) and does not include Hong Kong, Macau and Taiwan) and Hong Kong.

The Group’s revenue from external customers by location of the relevant subsidiary’s operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets (<i>Note</i>)	
	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Mainland China	84,756	77,470	19,702	60,122
Hong Kong	<u>622</u>	<u>232</u>	<u>38,902</u>	<u>41,125</u>
	<u>85,378</u>	<u>77,702</u>	<u>58,604</u>	<u>101,247</u>

Note: Non-current assets exclude goodwill, interest in associates, financial assets, deferred tax assets and right-of-use assets.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group under reportable segments of sale and leaseback arrangements services for the corresponding years is as follows:

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Customer A	32,434	16,910
Customer B	15,965	21,951
Customer C	11,796	11,946
Customer D	8,638	8,941
Customer E	<u>(Note)</u>	<u>8,605</u>

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4 OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income		
– bank deposits	4,053	4,298
– term deposits with initial term over three months	5,603	12,878
– debt instruments at FVOCI	980	2,792
	<u>10,636</u>	<u>19,968</u>
Government grant (<i>Note</i>)	1,309	852
Others	443	371
	<u>12,388</u>	<u>21,191</u>

Note: During the year, government grant included HK\$918,000 received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme. The remaining subsidies and awards of HK\$391,000 (2019: HK\$852,000) 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.

5 OTHER GAINS, NET

	2020 HK\$'000	2019 HK\$'000
Gain on disposal of debt instruments at FVOCI	29	1,022
Loss on disposal of property, plant and equipment and intangible asset, net	(10)	(5)
Recovery of receivables under sale and leaseback arrangements previously written-off	13,715	–
Others	–	77
	<u>13,734</u>	<u>1,094</u>

6 FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank borrowings	11,733	25,064
Less: amounts included in costs of sale and leaseback arrangements	<u>(10,192)</u>	<u>(19,305)</u>
	1,541	5,759
Interest on lease liabilities	<u>135</u>	<u>228</u>
	<u>1,676</u>	<u>5,987</u>

7 INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong	5	5
– PRC	<u>9,115</u>	<u>7,107</u>
	<u>9,120</u>	<u>7,112</u>
Deferred income tax	<u>7,839</u>	<u>7,718</u>
Income tax expense	<u>16,959</u>	<u>14,830</u>

Notes:

- (a) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profit of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.
- (b) 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 2020 (2019: 25%).

8 DIVIDENDS

No dividend has been paid, declared by the Company during the year ended 31 December 2020 (2019: Nil).

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2020	2019
Profit/(loss) attributable to owners of the Company (HK\$'000)	<u>5,980</u>	<u>(7,921)</u>
Weighted average number of ordinary shares (<i>thousand</i>)	<u>3,984,640</u>	<u>4,001,410</u>
Basic earnings/(loss) per share (<i>expressed in HK cent per share</i>)	<u>0.15</u>	<u>(0.20)</u>

(b) Diluted

Diluted earnings/(loss) 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 year ended 31 December 2020 as there was no dilutive potential ordinary share. For the year ended 31 December 2019, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share option since their exercise will reduce loss per share.

10 INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Supply chain financing platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019			
Cost	<u>50,848</u>	<u>–</u>	<u>50,848</u>
Net book value	<u><u>50,848</u></u>	<u><u>–</u></u>	<u><u>50,848</u></u>
Year ended 31 December 2019			
Opening net book amount	50,848	–	50,848
Acquisition of a subsidiary	6,479	12,689	19,168
Addition	–	208	208
Amortisation charge	–	(1,259)	(1,259)
Exchange difference	<u>(667)</u>	<u>(265)</u>	<u>(932)</u>
Closing net book value	<u><u>56,660</u></u>	<u><u>11,373</u></u>	<u><u>68,033</u></u>
At 31 December 2019			
Cost	56,660	12,589	69,249
Accumulated amortisation	<u>–</u>	<u>(1,216)</u>	<u>(1,216)</u>
Net book value	<u><u>56,660</u></u>	<u><u>11,373</u></u>	<u><u>68,033</u></u>
Year ended 31 December 2020			
Opening net book amount	56,660	11,373	68,033
Disposed	–	(556)	(556)
Amortisation charge	–	(2,956)	(2,956)
Exchange difference	<u>3,372</u>	<u>471</u>	<u>3,843</u>
Closing net book value	<u><u>60,032</u></u>	<u><u>8,332</u></u>	<u><u>68,364</u></u>
At 31 December 2020			
Cost	60,032	12,738	72,770
Accumulated amortisation	<u>–</u>	<u>(4,406)</u>	<u>(4,406)</u>
Net book value	<u><u>60,032</u></u>	<u><u>8,332</u></u>	<u><u>68,364</u></u>

Amortisation expense of HK\$2,956,000 (2019: HK\$1,259,000) was charged in administrative expenses.

11 INTEREST IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. All of these associates are accounted for using the equity method in these consolidated financial statements.

Name of entity	Nature of relationship	Principal activities	Place of business/ country of incorporation	Effective % of ownership interest		Carrying amount	
				2020	2019	2020	2019
				%	%	HK\$'000	HK\$'000
黑龍江首和創業投資管理企業(有限合夥) (“Shouhe Venture Capital”) (Note (a))	Associate	Investment management	The PRC	-	24.28%	-	1,573
京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) (Note (b))	Associate	Provision of factoring services in PRC	The PRC	41.41%	41.41%	91,362	86,788
						<u>91,362</u>	<u>88,361</u>

Notes:

- (a) On 15 December 2020, Shouhe Venture Capital was dissolved and all the investment cost was returned to the Group.
- (b) On 24 July 2019, the Group completed an acquisition of 41.41% equity interest in 京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) (“Beijing West Business Factoring”) at a consideration of approximately RMB75,263,000 (approximately HK\$85,526,000) from 北京服務新首鋼股權創業投資企業(有限合夥) (Beijing Services New Shougang Venture Capital Investment LLP*), a non wholly-owned subsidiary of 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*) (“Shougang Fund”).

	2020 HK\$'000	2019 HK\$'000
Cost of investment in associates:		
As at 1 January	88,361	1,591
Addition to interest in associates during the year	-	85,526
Dissolution of an associate during the year	<u>(1,667)</u>	<u>-</u>
As at 31 December	86,694	87,117
Share of operating profits	1,258	2,614
Share of other comprehensive income/(loss)	5,273	(1,370)
Dividend received	<u>(1,863)</u>	<u>-</u>
Interest in associates	<u>91,362</u>	<u>88,361</u>

12 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current assets	608,522	426,614
Non-current assets	<u>771,927</u>	<u>864,582</u>
	<u>1,380,449</u>	<u>1,291,196</u>

At 31 December, the Group's receivables under sale and leaseback arrangements were repayable as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	608,522	416,952
Between 1 and 2 years	576,436	388,166
Between 2 and 3 years	<u>195,491</u>	<u>476,415</u>
	1,380,449	1,281,533
Overdue receivables under sale and leaseback arrangements	<u>–</u>	<u>9,663</u>
	<u>1,380,449</u>	<u>1,291,196</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	629,626	470,851
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u>773,255</u>	<u>869,933</u>
	1,402,881	1,340,784
Provision of impairment loss allowance	<u>(22,432)</u>	<u>(49,588)</u>
	<u>1,380,449</u>	<u>1,291,196</u>

13 TRADE AND BILL RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bill receivables	<u>36,132</u>	<u>–</u>

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2020. The maturity periods of bill receivables are normally 6 to 12 months as at 31 December 2020. The aging analysis of trade and bill receivables are as follows:

	2020 <i>HK\$'000</i>
Within 3 months	36,035
4–6 months	<u>97</u>
	<u>36,132</u>

Due to the short-term nature of the trade and bill receivables, their carrying amounts are considered to be the same as their fair value.

The carrying amounts of the Group's trade and bill receivables are denominated in RMB.

14 SECURED BANK BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Non-current portion		
Secured bank borrowings	146,995	168,539
Current portion		
Secured bank borrowings	<u>143,308</u>	<u>297,018</u>
	<u>290,303</u>	<u>465,557</u>

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

	2020 HK\$'000	2019 HK\$'000
Carrying amount repayable:		
Within 1 year	65,138	146,068
Between 1 and 2 years	84,419	84,269
Between 2 and 3 years	<u>62,576</u>	<u>84,270</u>
	<u>212,133</u>	<u>314,607</u>

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

Within 1 year	72,852	142,751
Between 1 and 2 years	2,886	2,825
Between 2 and 3 years	2,432	2,899
Between 3 and 4 years	<u>–</u>	<u>2,475</u>
	<u>78,170</u>	<u>150,950</u>
	<u>290,303</u>	<u>465,557</u>

15 SHARE CAPITAL

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

Note:

During the year ended 31 December 2019, the Company repurchased 23,649,000 of its own shares. The total amount paid to repurchase the shares was approximately HK\$3,410,000 and was charged to share premium within shareholder's equity. All of the repurchased shares were cancelled during the year ended 31 December 2019.

16 ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as security for non-current assets are:

	2020 HK\$'000	2019 HK\$'000
Investment properties	23,700	24,700
Property, plants and equipment	14,549	14,921
Receivables under sale and leaseback arrangements	<u>321,283</u>	<u>308,478</u>
	<u>359,532</u>	<u>348,099</u>

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 12 May 2021 to Tuesday, 18 May 2021 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Tuesday, 18 May 2021 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 May 2021 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2020, the Group continued to push ahead the development philosophy of financial leasing, commercial factoring, supply chain management services and assets management services as core businesses, and endeavored to build an integrated service platform with financial empowerment. The year 2020 was an exceptional year. Faced with the sudden outbreak of COVID-19, with the team's firm confidence and persistence in epidemic prevention and control as well as operational development, we achieved a year-on-year growth in both revenue and profit.

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are analysed as below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	+ / (-) <i>Change</i>
Financial performance			
Revenue	85,378	77,702	10%
Gross profit margin (%)	86%	74%	12%
Profit for the year	18,194	583	3,021%
Profit/(loss) attributable to owners of the Company	5,980	(7,921)	Turnaround
Key financial indicators			
Total cash	318,818	702,164	-55%
Total assets	2,161,473	2,294,032	-6%
Total liabilities	397,484	550,534	-28%
Bank borrowings	290,303	465,557	-38%
Capital and reserves attributable to owners of the Company	1,445,637	1,355,149	7%
Current ratio	458%	305%	153%
Basic earnings/(loss) per share (<i>HK cents</i>)	0.15	(0.20)	Turnaround

FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$5,980,000 for the year ended 31 December 2020, which represented a turnaround when compared with loss attributable to owners of the Company of approximately HK\$7,921,000 for the year ended 31 December 2019. The turnaround from loss to profit was mainly due to the increase in profit from the sale and leaseback arrangements services segment and the recognition of profit from the supply chain management services segment for the first time. Revenue of the Group for the year ended 31 December 2020 was approximately HK\$85,378,000, which represented an increase of approximately 10% when compared with that of approximately HK\$77,702,000 for the year 2019. The increase was mainly attributable to the increase in revenue from the sale and leaseback arrangements services segment and the increase in revenue from the supply chain management services segment. The Group recorded a gross profit of approximately HK\$73,760,000 for the year ended 31 December 2020, representing a gross profit margin of approximately 86%, which is an increase of approximately 12% when compared with the gross profit margin of approximately 74% for the year 2019. Basic earnings per share for the year ended 31 December 2020 was HK0.15 cent (2019: basic loss per share was HK0.20 cent).

Revenue for the year ended 31 December 2020 was approximately HK\$85,378,000, representing an increase of approximately 10% when compared with that of approximately HK\$77,702,000 for the year 2019. The increase was mainly attributable to the increase in revenue from the sale and leaseback arrangements services segment by approximately HK\$7,090,000 and the increase in revenue from the supply chain management services segment by approximately HK\$4,578,000.

The Group made a gross profit of approximately HK\$73,760,000 for the year ended 31 December 2020, representing a gross profit margin of approximately 86%, which is an increase of 12%, when compared with the gross profit margin of approximately 74% for the year 2019, which was mainly attributable to the increase in gross profit margin from the sale and leaseback arrangements services segment.

Other income for the year ended 31 December 2020 amounted to approximately HK\$12,388,000 (2019: HK\$21,191,000), representing a decrease of approximately 42%. The decrease was mainly due to the decrease in interest income from term deposits.

Administrative expenses for the year ended 31 December 2020 amounted to approximately HK\$68,079,000 (2019: HK\$65,232,000), representing an increase of approximately 4%. The increase was mainly due to the rise in labor cost driven by business development.

For the year ended 31 December 2020, share of profit of associates amounted to approximately HK\$1,258,000 (2019: HK\$2,614,000). The decrease was mainly attributable to the pandemic.

BUSINESS REVIEW AND OUTLOOK

Closely following the strategy of integration of industry and finance for its core business and market competitiveness, we built an integrated financial service platform with financial empowerment leveraging on the business synergies arising from the financial leasing, commercial factoring, supply chain management services and assets management services. Taking the provision of supply chain management services, financial services and assets management services as our core businesses and competitive strengths in the market, the Group endeavors to provide financial leasing, commercial factoring, supply chain management, investment and financing advisory services and other portfolios of financial products to the two groups of target core enterprises including steel companies and domestic conglomerates, as well as their upstream and downstream customers, in order to provide customized financial service solutions for core enterprises, meet the strategic needs of core enterprises 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 year, revenue from the sale and leaseback arrangements services segment increased by approximately 10% to approximately HK\$78,691,000 (2019: HK\$71,601,000), and the segment results recorded a profit of approximately HK\$65,976,000 (2019: HK\$48,331,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the increase in project gross profit resulting from increased new projects and more flexible financial resource usage.

During the year, revenue from the supply chain management services segment was approximately HK\$5,294,000 (2019: HK\$716,000), and the segment results recorded a profit of approximately HK\$2,431,000 (2019: loss of approximately HK\$2,070,000). Based on the business scenarios of the target companies, the supply chain management services segment carefully analyzed the capital flow, information flow, business flow, logistics, etc. of the industrial chain where the target companies are located, and solved customers' capital and management needs with the most convenient and diversified products, so as to reduce the transaction cost of the industrial chain and empower the industry. The supply chain management services segment carried out business and recorded revenue.

During the year, revenue from the assets management and consultancy services segment was approximately HK\$1,054,000 (2019: HK\$4,812,000), and the segment results recorded a loss of approximately HK\$5,259,000 (2019: HK\$305,000). The decline in revenue from and segment results of the assets management and consultancy services segment was mainly attributable to the pandemic and international macroeconomic fluctuations, which made customers more prudent about the outlook and slowdown their investment in projects.

During the year, revenue from the property leasing services segment decreased by approximately 41% to approximately HK\$339,000 (2019: HK\$573,000), and the segment results recorded a loss of approximately HK\$970,000 (2019: profit of approximately HK\$2,065,000). The decrease in revenue from the property leasing services segment was mainly attributable to the increase in vacancy rate. The decline in segment results was mainly attributable to the decrease in fair value of investment properties of the Group of approximately HK\$1,000,000 (2019: increase in fair value of investment properties of approximately HK\$2,400,000).

Looking ahead into 2021, under the policy environment and market environment of promoting financial innovation, the Group will grasp opportunities brought by the policies in relation to China's innovation of modern supply chain area and the upgrading strategies of industries in which target core enterprises operate to provide innovative financial product and service portfolios to those target core enterprises and their upstream and downstream customers, so as to serve the real economy. We will strive to capitalize on the advantage of cross-border operation while actively exploring new models of innovative financial service business and taking advantage of Hong Kong's excellent geographical location and favorable financing environment as an international financial market, to make meaningful exploration under The Belt and Road Initiative and seize relevant policy opportunities.

In terms of risk management infrastructure, prudent and effective risk management can help in untapping the commercial value of long-term investments, as well as laying a solid foundation for the Group's sustainable development. We will put emphasis on strengthening our risk control system, introducing information technology platform, and adjusting our management and control strategies in a timely manner and continuously improving our management by improving and optimizing our risk control mechanism. In addition, we will also continue to promote the development of our online risk management platform based on asset securitization and industry supply chain business so as to provide an effective tool for the Group's risk management.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

	31 December 2020 HK\$'000	31 December 2019 HK\$'000
Total borrowings		
Current borrowings	143,308	297,018
Non-current borrowings	146,995	168,539
Sub-total	290,303	465,557
Total cash		
Cash and cash equivalents	318,818	607,782
Term deposits with initial term over three months	–	94,382
Sub-total	318,818	702,164
Total equity	1,763,989	1,743,498
Total assets	2,161,473	2,294,032
Current ratio	458%	305%

As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$318,818,000 (31 December 2019: HK\$607,782,000) and term deposits with initial term over three months of approximately HK\$ Nil (31 December 2019: HK\$94,382,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the combined effects of net cash used in operating activities of approximately HK\$146,343,000, the net repayment of bank borrowings of approximately HK\$187,280,000, and proceeds received from disposal of debt instruments of approximately HK\$15,506,000.

As at 31 December 2020, the Group's borrowings amounted to approximately HK\$290,303,000, of which approximately HK\$143,308,000 were repayable within twelve months from 31 December 2020 and approximately HK\$146,995,000 were repayable after twelve months from 31 December 2020. During the year, the Group obtained new bank borrowings of approximately HK\$283,683,000 for the finance leasing business and working capital of the Group. All borrowings bore interest at market rates.

CAPITAL STRUCTURE

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,445,637,000 as at 31 December 2020 (31 December 2019: HK\$1,355,149,000). The increase was mainly due to the profit attributable to owners of the Company of approximately HK\$5,980,000 for the year ended 31 December 2020 and the exchange differences arising on translation of approximately HK\$73,498,000 in total during the year. The Company did not issue any new shares during the year. 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 year, the Group had no material acquisitions, disposals and significant investment.

CHARGE ON ASSETS

As at 31 December 2020, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of HK\$23,700,000 and the Group's building with carrying value of HK\$14,549,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$8,170,000.
- (ii) The Group's receivables under sale and leaseback arrangements with a carrying value of HK\$321,283,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$212,133,000.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and 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 31 December 2020, the Group had no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2020.

EMPLOYEES

As at 31 December 2020, the Group employed 50 (31 December 2019: 60) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work 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 through special increment.

During the year ended 31 December 2020, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the financial year ended 31 December 2020.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT

The Audit Committee of the Company has reviewed the consolidated financial statements of the Group for the year ended 31 December 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 in the preliminary results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary results announcement.

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 year.

By order of the Board
Shougang Concord Grand (Group) Limited
Xu Liang
Chairman & Managing Director

Hong Kong, 19 March 2021

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