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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 2021**

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 2021 with comparative figures for the year ended 31 December 2020. These final results have been reviewed by the Audit Committee of the Company.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue under sale and leaseback arrangements	2	91,104	78,691
Revenue from supply chain management business	2	1,803,045	4,634
Consultancy service income and property leasing income	2	3,854	2,053
<b>Total revenue</b>		<b>1,898,003</b>	85,378
Cost of sale and leaseback arrangements and consultancy services		(12,373)	(11,618)
Cost of supply chain management business		(1,780,530)	–
<b>Gross profit</b>		<b>105,100</b>	73,760
Other income	3	5,998	12,388
Other gains, net	4	77	13,734
Selling expenses		(2,780)	(1,420)
Administrative expenses		(60,938)	(68,079)
Changes in fair value of investment properties		5,244	(1,000)
Changes in fair value of financial assets at fair value through profit or loss		1,492	272
(Provision for)/ reversal of provision for impairment of receivables, net		(2,927)	5,916
<b>Operating profit</b>		<b>51,266</b>	35,571

	Notes	2021 HK\$'000	2020 HK\$'000
Finance costs	5	(3,530)	(1,676)
Share of profit of associates	10	<u>2,328</u>	<u>1,258</u>
<b>Profit before income tax</b>		<b>50,064</b>	35,153
Income tax expense	6	<u>(7,571)</u>	<u>(16,959)</u>
<b>Profit for the year</b>		<b><u>42,493</u></b>	<b><u>18,194</u></b>
<b>Profit is attributable to:</b>			
Owners of the Company		27,294	5,980
Non-controlling interests		<u>15,199</u>	<u>12,214</u>
		<b><u>42,493</u></b>	<b><u>18,194</u></b>
<b>Other comprehensive (loss)/income</b>			
<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		(397)	(173)
Transfer to profit or loss on disposal of debt instrument at fair value through other comprehensive income		12	(29)
Revaluation of buildings upon transfer from property, plant and equipment and right-of-use assets to investment properties		56,353	–
Income tax relating to the revaluation of buildings		(14,079)	–
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		40,069	92,120
Share of currency translation difference of associates for using equity method		<u>2,236</u>	<u>5,273</u>
<b>Other comprehensive income for the year</b>		<b><u>84,194</u></b>	<b><u>97,191</u></b>
<b>Total comprehensive income for the year</b>		<b><u>126,687</u></b>	<b><u>115,385</u></b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		92,680	83,230
Non-controlling interests		<u>34,007</u>	<u>32,155</u>
		<b><u>126,687</u></b>	<b><u>115,385</u></b>
<b>Earnings per share</b>			
Basic and diluted ( <i>HK cent</i> )	8	<b><u>0.68</u></b>	<b><u>0.15</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,516	22,371
Right-of-use assets		16,807	39,543
Investment properties		144,498	23,700
Intangible assets	9	67,107	68,364
Interests in an associate	10	92,930	91,362
Receivables under sale and leaseback arrangements	11	319,749	771,927
Debt instrument at fair value through other comprehensive income		–	15,886
Financial assets at fair value through profit or loss		4,339	2,847
Prepayments		4,226	4,201
Deferred tax assets		2,661	2,399
<b>Total non-current assets</b>		<b>653,833</b>	<b>1,042,600</b>
<b>Current assets</b>			
Receivables under sale and leaseback arrangements	11	1,030,623	608,522
Inventories		3,542	–
Trade and bill receivables	12	31,489	36,132
Prepayments, deposits and other receivables		219,013	155,401
Cash and cash equivalents		387,095	318,818
<b>Total current assets</b>		<b>1,671,762</b>	<b>1,118,873</b>
<b>Total assets</b>		<b>2,325,595</b>	<b>2,161,473</b>
<b>EQUITY</b>			
Share capital	14	39,846	39,846
Reserves		1,497,811	1,405,791
<b>Capital and reserves attributable to owners of the Company</b>		<b>1,537,657</b>	<b>1,445,637</b>
Non-controlling interests		352,722	318,352
<b>Total equity</b>		<b>1,890,379</b>	<b>1,763,989</b>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Secured bank borrowings	<i>13</i>	<b>94,319</b>	146,995
Security deposits received		–	5,952
Lease liabilities		<b>13,686</b>	–
Deferred tax liabilities		<b>10,850</b>	–
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>118,855</b>	152,947
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Other payables and accruals		<b>68,502</b>	62,014
Current tax liabilities		<b>31,425</b>	31,346
Secured bank borrowings	<i>13</i>	<b>196,603</b>	143,308
Security deposits received		<b>6,098</b>	5,952
Contract liabilities		<b>10,115</b>	–
Lease liabilities		<b>3,618</b>	1,917
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>316,361</b>	244,537
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<b>Total liabilities</b>		<b>435,216</b>	397,484
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>2,325,595</b>	2,161,473
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# 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.

### ***New standards, amendments and interpretations adopted by the Group***

The following amendments to standards apply for the first time to financial reporting period commencing on or after 1 January 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concession
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2

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

## 2 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 business.

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 provision of referral and corporate financial advisory services.

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

Segment results represent the profit or loss of each segment without allocation of central administration costs, (loss)/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 <i>HK\$’000</i>	Property leasing services <i>HK\$’000</i>	Assets management and consultancy services <i>HK\$’000</i>	Supply chain management business <i>HK\$’000</i>	Total <i>HK\$’000</i>
<b>During the year ended</b>					
<b>31 December 2021</b>					
Revenue under sale and leaseback arrangements	91,104	–	–	–	91,104
Revenue from supply chain management services	–	–	–	14,772	14,772
Revenue from trading of goods	–	–	–	1,788,273	1,788,273
Property leasing income	712	733	–	–	1,445
Consultancy service income	–	–	2,409	–	2,409
Segment revenue	<u>91,816</u>	<u>733</u>	<u>2,409</u>	<u>1,803,045</u>	<u>1,898,003</u>
Segment results	<u>67,501</u>	<u>796</u>	<u>(136)</u>	<u>8,525</u>	<u>76,686</u>

	Sale and leaseback arrangements services <i>HK\$'000</i>	Property leasing services <i>HK\$'000</i>	Assets management and consultancy services <i>HK\$'000</i>	Supply chain management business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>During the year ended</b>					
<b>31 December 2020</b>					
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>
				<b>2021</b> <b><i>HK\$'000</i></b>	<b>2020</b> <b><i>HK\$'000</i></b>
<b>Segment results</b>				<b>76,686</b>	62,178
<b>Unallocated</b>					
Central administration costs				<b>(29,552)</b>	(29,648)
Changes in fair value of financial assets at FVPL				<b>1,492</b>	272
(Loss)/gain on disposal of debt instruments at FVOCI				<b>(12)</b>	29
Other income ( <i>Note</i> )				<b>1,055</b>	2,711
Reversal for impairment losses in debt instruments at FVOCI				<b>18</b>	29
Finance costs				<b>(1,951)</b>	(1,676)
Share of profit of associates				<u><b>2,328</b></u>	<u>1,258</u>
Profit before tax				<u><b>50,064</b></u>	<u>35,153</u>

*Note:* Unallocated other income represents interest income from debt instruments at FVOCI, 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 segments:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Segment assets</b>		
Sale and leaseback arrangements services	1,699,823	1,576,469
Supply chain management business	325,913	274,395
Property leasing services	38,784	24,718
Assets management and consultancy services	<u>58,696</u>	<u>71,175</u>
Total segment assets	2,123,216	1,946,757
Interests in an associate	92,930	91,362
Debt instrument at FVOCI	–	15,886
Financial assets at FVPL	4,339	2,847
Other unallocated assets	<u>105,110</u>	<u>104,621</u>
Consolidated assets	<u><u>2,325,595</u></u>	<u><u>2,161,473</u></u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Sale and leaseback arrangements services	292,669	292,052
Supply chain management business	42,003	19,223
Property leasing services	169	224
Assets management and consultancy services	<u>673</u>	<u>1,395</u>
Total segment liabilities	335,514	312,894
Unallocated secured bank borrowings	85,315	78,170
Other unallocated liabilities	<u>14,387</u>	<u>6,420</u>
Consolidated liabilities	<u><u>435,216</u></u>	<u><u>397,484</u></u>

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

- all assets are allocated to reportable segments other than interests in an associate, debt instrument at FVOCI, financial assets at FVPL and other unallocated assets (including primarily unallocated property, plant and equipment, cash and cash equivalents and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for sale and leaseback arrangements services and other unallocated liabilities.



## Geographical information

The Group operates in two principal geographical areas – 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> )	
	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Mainland China	<b>1,896,703</b>	84,756	<b>117,318</b>	19,702
Hong Kong	<b>1,300</b>	622	<b>38,532</b>	38,902
	<b><u>1,898,003</u></b>	<b><u>85,378</u></b>	<b><u>155,850</u></b>	<b><u>58,604</u></b>

*Note:* Non-current assets exclude goodwill, interests in an associate, 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 for the corresponding years are as follows:

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Sale and leaseback arrangements services:		
Customer A	<i>(Note)</i>	32,434
Customer B	<i>(Note)</i>	15,965
Customer C	<i>(Note)</i>	11,796
Customer D	<i>(Note)</i>	8,638
Supply chain management business:		
Customer E	<b>668,488</b>	–
Customer F	<b>291,429</b>	–
Customer G	<b>266,857</b>	–
Customer H	<b><u>256,015</u></b>	<b><u>–</u></b>

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

## Revenue recognised in relation to contract liabilities

As at 31 December 2021, contract liabilities amounting to HK\$10,115,000 (2020: HK\$Nil). There was no revenue recognised that was included in the contract liabilities balance at the beginning of the year.

### 3 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Interest income</b>		
– bank deposits	3,184	4,053
– term deposits with initial term over three months	–	5,603
– debt instruments at FVOCI	<u>637</u>	<u>980</u>
	3,821	10,636
Government grant ( <i>Note</i> )	1,883	1,309
Others	<u>294</u>	<u>443</u>
	<u><u>5,998</u></u>	<u><u>12,388</u></u>

*Note:* During the year, no government grant received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme (2020: HK\$918,000). The remaining subsidies and awards of HK\$1,883,000 (2020: HK\$391,000) 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.

### 4 OTHER GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(Loss)/gain on disposal of debt instruments at FVOCI	(12)	29
Loss on disposal of property, plant and equipment and intangible asset, net	(1)	(10)
Recovery of receivables under sale and leaseback arrangements previously written-off	<u>90</u>	<u>13,715</u>
	<u><u>77</u></u>	<u><u>13,734</u></u>

## 5 FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	12,747	11,733
Less: amounts included in cost of sale and leaseback arrangements	<u>(9,441)</u>	<u>(10,192)</u>
	3,306	1,541
Interest on lease liabilities	<u>224</u>	<u>135</u>
	<u><u>3,530</u></u>	<u><u>1,676</u></u>

## 6 INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
– Hong Kong	2	5
– The PRC	<u>11,117</u>	<u>9,115</u>
	11,119	9,120
Deferred income tax	<u>(3,548)</u>	<u>7,839</u>
Income tax expense	<u><u>7,571</u></u>	<u><u>16,959</u></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 2021 (2020: 25%).

## 7 DIVIDENDS

The Board has resolved to recommend a final dividend in the total amount of HK\$11.95 million for the year ended 31 December 2021 (2020: HK\$Nil), payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 27 May 2022. Based on 3,984,639,703 ordinary shares of the Company in issue, such a final dividend would amount to HK0.3 cent per ordinary share. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2021 has not been recognised as a liability as at 31 December 2021.

## 8 EARNINGS PER SHARE

### (a) Basic

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

	2021	2020
Profit attributable to owners of the Company <i>(HK\$'000)</i>	<u>27,294</u>	<u>5,980</u>
Weighted average number of ordinary shares <i>(thousand)</i>	<u>3,984,640</u>	<u>3,984,640</u>
Basic earnings per share <i>(expressed in HK cent per share)</i>	<u>0.68</u>	<u>0.15</u>

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. No diluted earnings per share for the year ended 31 December 2021 and 2020 as there was no dilutive potential shares during the year.

## 9 INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Supply chain financing platform</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2020</b>			
Cost	56,660	12,589	69,249
Accumulated amortisation	—	(1,216)	(1,216)
Net book value	<u>56,660</u>	<u>11,373</u>	<u>68,033</u>
<b>Year ended 31 December 2020</b>			
Opening net book amount	56,660	11,373	68,033
Disposal	—	(556)	(556)
Amortisation charge	—	(2,956)	(2,956)
Exchange difference	3,372	471	3,843
Closing net book value	<u>60,032</u>	<u>8,332</u>	<u>68,364</u>
<b>At 31 December 2020</b>			
Cost	60,032	12,738	72,770
Accumulated amortisation	—	(4,406)	(4,406)
Net book value	<u>60,032</u>	<u>8,332</u>	<u>68,364</u>
<b>Year ended 31 December 2021</b>			
Opening net book amount	<b>60,032</b>	<b>8,332</b>	<b>68,364</b>
Addition	—	<b>34</b>	<b>34</b>
Amortisation charge	—	(2,927)	(2,927)
Exchange difference	<b>1,465</b>	<b>171</b>	<b>1,636</b>
Closing net book value	<u><b>61,497</b></u>	<u><b>5,610</b></u>	<u><b>67,107</b></u>
<b>At 31 December 2021</b>			
Cost	<b>61,497</b>	<b>13,083</b>	<b>74,580</b>
Accumulated amortisation	—	(7,473)	(7,473)
Net book value	<u><b>61,497</b></u>	<u><b>5,610</b></u>	<u><b>67,107</b></u>

Amortisation expense of HK\$2,927,000 (2020: HK\$2,956,000) was charged in administrative expenses.

## 10 INTERESTS IN AN ASSOCIATE

Set out below are the associates of the Group as at 31 December 2021. 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	
				2021	2020	2021	2020
				%	%	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)	Associate	Investment management	The PRC	-	-	-	-
京西商業保理有限公司 (Beijing West Business Factoring Company Limited*)	Associate	Provision of factoring services in PRC	The PRC	41.41%	41.41%	92,930	91,362
						<u>92,930</u>	<u>91,362</u>

*Note:* On 15 December 2020, Shouhe Venture Capital was dissolved and all the investment cost was returned to the Group.

	2021 HK\$'000	2020 HK\$'000
<b>Cost of investments in associates:</b>		
As at 1 January	91,362	88,361
Dissolution of an associate during the year	-	(1,667)
As at 31 December	91,362	86,694
Share of operating profits	2,328	1,258
Share of other comprehensive income	2,236	5,273
Dividend received	(2,996)	(1,863)
<b>Interests in an associate</b>	<u>92,930</u>	<u>91,362</u>

## 11 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current assets	1,030,623	608,522
Non-current assets	<u>319,749</u>	<u>771,927</u>
	<u><b>1,350,372</b></u>	<u><b>1,380,449</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	1,030,623	608,522
Between 1 and 2 years	296,499	576,436
Between 2 and 3 years	<u>23,250</u>	<u>195,491</u>
	1,350,372	1,380,449
Overdue receivables under sale and leaseback arrangements	<u>–</u>	<u>–</u>
	<u><b>1,350,372</b></u>	<u><b>1,380,449</b></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	1,054,994	629,626
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u>321,135</u>	<u>773,255</u>
	1,376,129	1,402,881
Provision of impairment loss allowance	<u>(25,757)</u>	<u>(22,432)</u>
	<u><b>1,350,372</b></u>	<u><b>1,380,449</b></u>

## 12 TRADE AND BILL RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and bill receivables	31,511	36,132
Provision for impairment loss allowance	<u>(22)</u>	<u>–</u>
	<u><b>31,489</b></u>	<u><b>36,132</b></u>

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2021. The maturity periods of bill receivables are normally 6 to 12 months as at 31 December 2021. The aging analysis of trade receivables and bill receivables based on invoice date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	2,966	36,035
4–6 months	26,768	97
7–9 months	1,050	–
10–12 months	<u>727</u>	<u>–</u>
	<u><b>31,511</b></u>	<u><b>36,132</b></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.



### 13 SECURED BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current portion</b>		
Secured bank borrowings	94,319	146,995
<b>Current portion</b>		
Secured bank borrowings	<u>196,603</u>	<u>143,308</u>
	<u><b>290,922</b></u>	<u><b>290,303</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Carrying amount repayable:		
Within 1 year	111,288	65,138
Between 1 and 2 years	94,319	84,419
Between 2 and 3 years	<u>–</u>	<u>62,576</u>
	<u><b>205,607</b></u>	<u><b>212,133</b></u>

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

Within 1 year	82,885	72,852
Between 1 and 2 years	2,430	2,886
Between 2 and 3 years	<u>–</u>	<u>2,432</u>
	<u><b>85,315</b></u>	<u><b>78,170</b></u>
	<u><b>290,922</b></u>	<u><b>290,303</b></u>

## 14 SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>3,984,639,703</u>	<u>39,846</u>

## 15 ASSETS PLEDGED AS SECURITY

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Investment properties	38,400	23,700
Property, plant and equipment	–	14,549
Receivables under sale and leaseback arrangements	<u>243,289</u>	<u>321,283</u>
	<u>281,689</u>	<u>359,532</u>

## **FINAL DIVIDEND**

The Board has resolved to recommend a final dividend in the total amount of HK\$11.95 million for the year ended 31 December 2021 (2020: HK\$Nil), payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 27 May 2022. Based on 3,984,639,703 ordinary shares of the Company in issue, such a final dividend would amount to HK0.3 cent per ordinary share.

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 20 May 2022, the final dividend is expected to be paid on or about Friday, 15 July 2022. For determining the entitlement to the final dividend, the register of members of the Company will be closed from Monday, 30 May 2022 to Tuesday, 31 May 2022, inclusive, during such period no transfer of shares will be registered. In order to be qualified for the final dividend, all transfers form accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 27 May 2022.

The financial performance of the Group has improved since 2020, both the revenue and business scale maintained a growth momentum, and the profitability increased significantly. The Board will resume regular dividend payment, from time to time according to the results performance, aiming to reward Shareholders continuously and create returns for Shareholders so as to reflect the value of the Group's services to Shareholders. The Company is confident of delivering sustainable results to support the resumption of regular dividend payments.

For the avoidance of doubt, the Board reserves the right in its discretion to declare and pay dividends of any specified amount and the manner in which dividends are paid for any specified period. In deciding whether to recommend the payment of dividends, the Board will continue to take into account the factors set out in the dividend policy, which currently include the Group's actual and future operating conditions, profit, financial condition, liquidity requirements, cash disbursement and liquidity adequacy, investment needs, future prospects and individual factors that may be relevant.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022, inclusive, 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 above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 16 May 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, 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. In 2021, adhering to our philosophy of persistence in pandemic prevention and control as well as operational development, we monitored closely key business functions and the implementation and enhancement of risk control measures. As the revenue and business scale of each of our business units maintained growth momentum, we continued to achieve year-on-year growth in both revenue and profit.

### KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are analysed as below:

	<b>2021</b>	2020	+ / (-)
	<b>HK\$'000</b>	HK\$'000	Change
<b>Financial performance</b>			
Revenue	<b>1,898,003</b>	85,378	2,123%
Gross profit margin (%)	<b>6%</b>	86%	-80%
Profit for the year	<b>42,493</b>	18,194	134%
Profit attributable to owners of the Company	<b>27,294</b>	5,980	356%
<b>Key financial indicators</b>			
Total cash	<b>387,095</b>	318,818	21%
Total assets	<b>2,325,595</b>	2,161,473	8%
Total liabilities	<b>435,216</b>	397,484	9%
Bank borrowings	<b>290,922</b>	290,303	0%
Capital and reserves attributable to owners of the Company	<b>1,537,657</b>	1,445,637	6%
Current ratio	<b>528%</b>	458%	70%
Basic earnings per share ( <i>HK cent</i> )	<b>0.68</b>	0.15	353%

## FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, as compared with profit attributable to owners of the Company of approximately HK\$5,980,000 for the year ended 31 December 2020, which was mainly due to an increase in profit from the sale and leaseback arrangements services segment and the supply chain management business segment, and fair value of investment properties. Revenue of the Group for the year ended 31 December 2021 was approximately HK\$1,898,003,000, which represented an increase of approximately 22 folds when compared with that of approximately HK\$85,378,000 for the year 2020. The increase was mainly attributable to an increase in revenue from the supply chain management business segment. The Group recorded a gross profit of approximately HK\$105,100,000 for the year ended 31 December 2021, representing an increase of approximately 42% when compared with the gross profit of approximately HK\$73,760,000 for the year 2020. The Group recorded a gross profit margin of approximately 6% for the year ended 31 December 2021, representing a significant decrease when compared with the gross profit margin of approximately 86% for the year 2020. Basic earnings per share of the Group for the year ended 31 December 2021 was HK0.68 cent (2020: basic earnings per share was HK0.15 cent).

Revenue for the year ended 31 December 2021 was approximately HK\$1,898,003,000, representing an increase of approximately 22 folds when compared with that of approximately HK\$85,378,000 for the year 2020. The increase was mainly attributable to the significant increase in revenue from the commencement of business covering full-process services including steel product trading and logistics under the supply chain management business segment by approximately HK\$1,797,751,000. Meanwhile, the sale and leaseback arrangements services segment also recorded an increase in revenue of 17% to approximately HK\$91,816,000.

The Group recorded a gross profit of approximately HK\$105,100,000 for the year ended 31 December 2021, representing an increase of 42%, when compared with the gross profit of approximately HK\$73,760,000 for the year 2020. The Group recorded a gross profit margin of approximately 6% for the year ended 31 December 2021, representing a significant decrease when compared with the gross profit margin of approximately 86% for the year 2020, which was mainly attributable to the lower gross profit margin of the supply chain management business segment.

Other income for the year ended 31 December 2021 amounted to approximately HK\$5,998,000 (2020: HK\$12,388,000), representing a decrease of approximately 52%. The decrease was mainly due to the decrease in interest income from deposits.

Administrative expenses for the year ended 31 December 2021 amounted to approximately HK\$60,938,000 (2020: HK\$68,079,000), representing a decrease of approximately 10%. The decrease was mainly due to the reduction in staff cost.

For the year ended 31 December 2021, share of profit of associates amounted to approximately HK\$2,328,000 (2020: HK\$1,258,000), as our associates continued to make contributions to the Group's profit.

## **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 and assets management businesses. 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 17% to approximately HK\$91,816,000 (2020: HK\$78,691,000), and the segment recorded a profit of approximately HK\$67,501,000 (2020: HK\$65,976,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the increase in new projects while the slowdown of the segment's performance was mainly due to the investment of more resources in research and development of products, risk control and compliance to develop the C-end business.

During the year, revenue from the supply chain management business segment was approximately HK\$1,803,045,000 (2020: HK\$5,294,000). The supply chain management business segment recorded a profit of approximately HK\$8,525,000 (2020: HK\$2,431,000). Our supply chain management business segment considers the business scenarios of the target companies and makes detailed analyses of the capital flow, information flow, product flow and logistics of the industry chain on which these companies operate, and then provides the most accessible and diversified products to them, thereby satisfying their capital and management needs. In this way, the segment also helps to reduce the transaction cost incurred on the industry chain and thus empowers the industry. With its newly commenced business which covers full-process services including steel product trading and logistics, the supply chain management business segment saw a significant increase in both revenue and segment results.

During the year, revenue from the assets management and consultancy services segment was approximately HK\$2,409,000 (2020: HK\$1,054,000), and the segment recorded a loss of approximately HK\$136,000 (2020: HK\$5,259,000). The increase in revenue from the assets management and consultancy services segment and the reduction in segment loss were mainly due to the commencement of the consultancy business.

During the year, revenue from the property leasing services segment increased to approximately HK\$733,000 (2020: HK\$339,000), and the segment recorded a profit of approximately HK\$796,000 (2020: loss of approximately HK\$970,000). The increase in revenue from the property leasing services segment was mainly attributable to the improved vacancy rate. The significant increase in segment results was mainly attributable to an increase in fair value of investment properties of the Group of approximately HK\$300,000 (2020: decrease in fair value of investment properties of approximately HK\$1,000,000).

Looking ahead into 2022, 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 products 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. Through diverse financing tools (both domestic and overseas) and different market and currency cycles, we will bring low cost funds and equity capital to our customers and optimize their capital structure, help the Group to achieve sustainable growth in its business scale and create greater business value for our customers, shareholders and society.

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, FINANCING RESOURCES AND FINANCING ACTIVITIES

The Group aims 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 2021 as compared to 31 December 2020 is summarized below:

	<b>31 December 2021 HK\$'000</b>	31 December 2020 HK\$'000
Total borrowings		
Current borrowings	<b>196,603</b>	143,308
Non-current borrowings	<b>94,319</b>	146,995
Sub-total	<b>290,922</b>	290,303
Total cash		
Cash and cash equivalents	<b>387,095</b>	318,818
Total equity	<b>1,890,379</b>	1,763,989
Total assets	<b>2,325,595</b>	2,161,473
Financial Leverage		
Current ratio	<b>528%</b>	458%

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$387,095,000 (31 December 2020: HK\$318,818,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to the net cash generated from operating activities of approximately HK\$48,956,000, net bank borrowings of approximately HK\$6,708,000 and proceeds from the disposal of debt instruments of approximately HK\$15,957,000.

As at 31 December 2021, the Group's borrowings amounted to approximately HK\$290,922,000 (2020: HK\$290,303,000), of which approximately HK\$196,603,000 (2020: HK\$143,308,000) were repayable within twelve months from 31 December 2021 and approximately HK\$94,319,000 (2020: HK\$146,995,000) were repayable after twelve months from 31 December 2021. During the year, the Group obtained new bank borrowings of approximately HK\$148,382,000 (2020: HK\$283,683,000) for the financial 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\$1,537,657,000 as at 31 December 2021 (31 December 2020: HK\$1,445,637,000). The increase was mainly due to the profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, the exchange differences arising on translation of approximately HK\$32,379,000 in total, and revaluation of buildings upon transfer from property, plant and equipment and right-of-use assets to investment properties of approximately HK\$42,274,000 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 2021, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$38,400,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$5,315,000.
- (ii) The Group's receivables under sale and leaseback arrangements with a carrying value of approximately HK\$243,289,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$205,607,000.

## **FOREIGN EXCHANGE EXPOSURE**

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 31 December 2021, the Group had no significant foreign exchange exposure.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2021.

## **EMPLOYEES**

As at 31 December 2021, the Group employed 47 (31 December 2020: 50) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the 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 2021, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the 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 2021.

## **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 2021. 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 2021 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*

Hong Kong, 25 March 2022

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

\* *For identification purpose only*