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首惠产融

首惠產業金融服務集團有限公司*

CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED

(FORMERLY KNOWN AS SHOUGANG CONCORD GRAND (GROUP) LIMITED)

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the “Board”) of Capital Industrial Financial Services Group Limited (formerly known as 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 2022 with comparative figures for the year ended 31 December 2021. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000 (Restated)
Continuing operations			
Revenue under sale and leaseback arrangements and entrusted loan arrangements	2	90,300	91,104
Revenue from supply chain management business	2	275,880	1,803,045
Property leasing income	2	4,458	1,445
Total revenue		370,638	1,895,594
Cost of revenue under sale and leaseback arrangements		(20,684)	(12,373)
Cost of revenue from supply chain management business		(263,122)	(1,780,530)
Gross profit		86,832	102,691
Other income	3	9,696	5,831
Other gains, net	4	36,310	77
Provision for impairment of receivables, net		(17,150)	(2,927)
Selling expenses		(3,317)	(2,780)
Administrative expenses		(53,480)	(58,804)
Changes in fair value of investment properties		(2,471)	5,244
Changes in fair value of financial assets at fair value through profit or loss		(1,530)	1,492
Impairment loss on goodwill		(945)	–
Operating profit		53,945	50,824
Finance costs	5	(4,812)	(3,530)
Share of profit of an associate	10	523	2,328
Profit before income tax		49,656	49,622
Income tax expense	6	(16,178)	(7,571)
Profit from continuing operations		33,478	42,051

<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i> (Restated)
(Loss)/profit from discontinued operation (attributable to equity holders of the Company)	<u>(1,241)</u>	<u>442</u>
Profit for the year	<u>32,237</u>	<u>42,493</u>
Profit is attributable to:		
Owners of the Company	<u>14,526</u>	<u>27,294</u>
Non-controlling interests	<u>17,711</u>	<u>15,199</u>
	<u>32,237</u>	<u>42,493</u>
Other comprehensive (loss)/income arising from continuing operations		
<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	–	(373)
Transfer to profit or loss on disposal of debt instrument at fair value through other comprehensive income	–	(12)
<i>Items that will not be reclassified to profit or loss:</i>		
Currency translation differences	<u>(144,009)</u>	<u>39,027</u>
Share of currency translation difference of an associate for using equity method	<u>(7,573)</u>	<u>2,236</u>
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	–	<u>(14,079)</u>
	<u>(151,582)</u>	<u>83,152</u>
Other comprehensive (loss)/income arising from discontinued operation		
<i>Item that will not be reclassified to profit or loss:</i>		
Currency translation differences	<u>(3,704)</u>	<u>1,042</u>
Total comprehensive (loss)/income for the year	<u>(123,049)</u>	<u>126,687</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	<u>(108,635)</u>	<u>92,680</u>
Non-controlling interests	<u>(14,414)</u>	<u>34,007</u>
	<u>(123,049)</u>	<u>126,687</u>
Total comprehensive (loss)/income attributable to owners of the Company arising from:		
Continuing operations	<u>(103,690)</u>	<u>91,196</u>
Discontinued operation	<u>(4,945)</u>	<u>1,484</u>
	<u>108,635</u>	<u>92,680</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic and diluted (<i>HK cents</i>)	<u>0.40</u>	<u>0.67</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic and diluted (<i>HK cents</i>)	<u>0.37</u>	<u>0.68</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		954	1,516
Right-of-use assets		8,213	16,807
Investment properties		133,202	144,498
Intangible assets	9	65,025	67,107
Interests in an associate	10	83,951	92,930
Receivables under sale and leaseback arrangements	11	333,229	319,749
Financial assets at fair value through profit or loss		2,809	4,339
Prepayments		3,814	4,226
Deferred tax assets		<u>2,384</u>	<u>2,661</u>
Total non-current assets		<u>633,581</u>	<u>653,833</u>
Current assets			
Receivables under sale and leaseback arrangements	11	756,885	1,030,623
Receivable under credit financing arrangement		168,453	–
Inventories		–	3,542
Trade and bill receivables	12	15,033	31,489
Prepayments, deposits and other receivables		33,558	219,013
Restricted bank deposits		75,817	–
Cash and cash equivalents		<u>322,904</u>	<u>387,095</u>
Total current assets		<u>1,372,650</u>	<u>1,671,762</u>
Total assets		<u>2,006,231</u>	<u>2,325,595</u>
EQUITY			
Share capital	14	39,846	39,846
Reserves		<u>1,377,222</u>	<u>1,497,811</u>
Capital and reserves attributable to owners of the Company		1,417,068	1,537,657
Non-controlling interests		<u>338,308</u>	<u>352,722</u>
Total equity		<u>1,755,376</u>	<u>1,890,379</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Secured bank borrowings	<i>13</i>	–	94,319
Lease liabilities		6,876	13,686
Deferred tax liabilities		20,619	10,850
		<hr/>	<hr/>
Total non-current liabilities		27,495	118,855
		<hr/>	<hr/>
Current liabilities			
Bills payables		84,974	–
Other payables and accruals		68,641	68,502
Secured bank borrowings	<i>13</i>	13,639	196,603
Loan from a related party		30,643	–
Security deposits received		1,399	6,098
Contract liabilities		16	10,115
Lease liabilities		2,315	3,618
Current tax liabilities		21,733	31,425
		<hr/>	<hr/>
Total current liabilities		223,360	316,361
		<hr/>	<hr/>
Total liabilities		250,855	435,216
		<hr/>	<hr/>
Total equity and liabilities		2,006,231	2,325,595
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. 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 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.

Amendments and interpretations adopted by the Group

The following amendments to standards and interpretations apply for the first time to financial reporting period commencing on or after 1 January 2022:

Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (amendments)
Amendment to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations

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.

Restatements due to discontinued operation

Certain comparative information for the year ended 31 December 2021 has been restated in order to disclose the discontinued operation separately from the continuing operations.

As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2021.

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 chief operating decision maker 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. Supply chain management business is engaged in supply chain management services and trading of goods.

During the year ended 31 December 2022, the Group ceased the business of assets management and consultancy service and reclassified the relevant business as discontinued operation.

Segment results represent the profit or loss of each segment without allocation of central administration costs, loss/gain on disposal of debt instruments at FVOCI, change in fair value of debt instruments at FVOCI, changes in fair value of financial assets at FVPL, impairment loss on goodwill, finance costs, and share of profit of an associate. 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.

	Continuing operations			Sub-total HK\$'000	Discontinued operation	Total HK\$'000
	Sale and leaseback arrangements services HK\$'000	Property leasing services HK\$'000	Supply chain management business HK\$'000		Assets management and consultancy services HK\$'000	
During the year ended 31 December 2022						
Revenue under sale and leaseback arrangements	90,147	-	-	90,147	-	90,147
Entrusted loan payment interest income	153	-	-	153	-	153
Revenue from supply chain management services	-	-	12,317	12,317	-	12,317
Revenue from trading of goods	-	-	263,563	263,563	-	263,563
Property leasing income	-	4,458	-	4,458	-	4,458
Segment revenue	<u>90,300</u>	<u>4,458</u>	<u>275,880</u>	<u>370,638</u>	-	<u>370,638</u>
Segment results	<u>77,458</u>	<u>1,783</u>	<u>2,795</u>	<u>82,036</u>	<u>(1,241)</u>	<u>80,795</u>
Unallocated						
Central administration costs						(29,541)
Changes in fair value of financial assets at FVPL						(1,530)
Other income (Note)						2,440
Impairment loss on goodwill						(945)
Finance costs						(3,327)
Share of profit of an associate						<u>523</u>
Profit before tax						<u>48,415</u>

	Continuing operations				Discontinued operations	
	Sale and leaseback arrangements services <i>HK\$'000</i>	Property leasing services <i>HK\$'000</i>	Supply chain management business <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Assets management and consultancy services <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i> (Restated)
During the year ended 31 December 2021						
Revenue under sale and leaseback arrangements	91,104	-	-	91,104	-	91,104
Revenue from supply chain management services	-	-	14,772	14,772	-	14,772
Revenue from trading of goods	-	-	1,788,273	1,788,273	-	1,788,273
Property leasing income	712	733	-	1,445	-	1,445
Consultancy service income	-	-	-	-	2,409	2,409
Segment revenue	<u>91,816</u>	<u>733</u>	<u>1,803,045</u>	<u>1,895,594</u>	<u>2,409</u>	<u>1,898,003</u>
Segment results	<u>67,501</u>	<u>796</u>	<u>8,525</u>	<u>76,822</u>	<u>442</u>	<u>77,264</u>
Unallocated						
Central administration costs						(30,130)
Changes in fair value of financial assets at FVPL						1,492
Loss on disposal of debt instruments at FVOCI						(12)
Other income (<i>Note</i>)						1,055
Reversal for impairment losses in debt instruments at FVOCI						18
Finance costs						(1,951)
Share of profit of an associate						<u>2,328</u>
Profit before tax						<u><u>50,064</u></u>

Note: Unallocated other income represents interest income from 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:

	Continuing operations 2022 HK\$'000	Discontinued operation 2022 HK\$'000	Total HK\$'000	Continuing operations 2021 HK\$'000 (Restated)	Discontinued operation 2021 HK\$'000 (Restated)	Total HK\$'000 (Restated)
Segment assets						
Sale and leaseback arrangements services	1,367,626	-	1,367,626	1,699,823	-	1,699,823
Supply chain management business	158,276	-	158,276	325,913	-	325,913
Property leasing services	136,348	-	136,348	38,784	-	38,784
Assets management and consultancy services	-	42,647	42,647	-	58,696	58,696
Total segment assets	1,662,250	42,647	1,704,897	2,064,520	58,696	2,123,216
Interest in an associate	83,951	-	83,951	92,930	-	92,930
Financial assets at FVPL	2,809	-	2,809	4,339	-	4,339
Other unallocated assets	214,574	-	214,574	105,110	-	105,110
Consolidated assets	<u>1,963,584</u>	<u>42,647</u>	<u>2,006,231</u>	<u>2,266,899</u>	<u>58,696</u>	<u>2,325,595</u>
Segment liabilities						
Sale and leaseback arrangements services	111,092	-	111,092	292,669	-	292,669
Supply chain management business	96,567	-	96,567	42,003	-	42,003
Property leasing services	95	-	95	169	-	169
Assets management and consultancy services	-	50	50	-	673	673
Total segment liabilities	207,754	50	207,804	334,841	673	335,514
Unallocated secured bank borrowings	33,082	-	33,082	85,315	-	85,315
Other unallocated liabilities	9,969	-	9,969	14,387	-	14,387
Consolidated liabilities	<u>250,805</u>	<u>50</u>	<u>250,855</u>	<u>434,543</u>	<u>673</u>	<u>435,216</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, 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 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					
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	2022	2022		2021	2021	
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)	
Mainland China	369,992	–	369,992	1,894,294	2,409	1,896,703
Hong Kong	646	–	646	1,300	–	1,300
	<u>370,638</u>	<u>–</u>	<u>370,638</u>	<u>1,895,594</u>	<u>2,409</u>	<u>1,898,003</u>
				Non-current assets		
				2022		2021
				<i>HK\$'000</i>		<i>HK\$'000</i>
Non-current assets						
Mainland China				114,515		117,318
Hong Kong				<u>32,937</u>		<u>38,532</u>
				<u>147,452</u>		<u>155,850</u>

Note: Non-current assets of the Group is arising from continuing operations, which 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Supply chain management business:		
Customer A	77,909	668,488
Customer B	53,221	291,429
Customer C	38,252	266,857
Customer D	(Note)	256,015

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

There is no single external customer contributed more than 10% to the Group revenue other than the supply chain management business for the year ended 31 December 2022 (2021: same).

Revenue recognised in relation to contract liabilities

The Group has recognised the following liabilities from continuing operations related to contracts with customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities	16	10,115

Revenue from continuing operations recognised during the year ended 31 December 2022 that was included in the contract liabilities balance at the beginning of the year amounted to approximately HK\$10,115,000 (2021: nil).

3 OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest income		
– bank deposits	8,963	3,023
– debt instruments at FVOCI	–	637
	<u>8,963</u>	<u>3,660</u>
Government grant (<i>Note</i>)	275	1,883
Others	458	288
	<u>9,696</u>	<u>5,831</u>

Note: During the year, government grant of HK\$264,000 was received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme and HK\$11,000 was received from PRC Government for employment support.

4 OTHER GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Loss on disposal of debt instruments at FVOCI	–	(12)
Loss on disposal of property, plant and equipment and intangible asset, net	(51)	(1)
Gain on early termination of lease arrangement	135	–
Recovery of receivables under sale and leaseback arrangements previously written-off	36,226	90
	<u>36,310</u>	<u>77</u>

5 FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Continuing operations		
Interest on secured bank borrowings	9,231	12,747
Less: amounts included in cost of sale and leaseback arrangements	<u>(5,163)</u>	<u>(9,441)</u>
	4,068	3,306
Interest on loan from a related party	164	–
Interest on lease liabilities	<u>580</u>	<u>224</u>
	<u><u>4,812</u></u>	<u><u>3,530</u></u>

6 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Current tax:		
– Hong Kong	–	2
– PRC	<u>27,330</u>	<u>11,117</u>
	----- <u>27,330</u>	----- <u>11,119</u>
Deferred income tax	<u>(11,152)</u>	<u>(3,548)</u>
Income tax expense	<u><u>16,178</u></u>	<u><u>7,571</u></u>
Income tax expense from continuing operations	16,178	7,571
Income tax expense from discontinued operation	<u>–</u>	<u>–</u>
	<u><u>16,178</u></u>	<u><u>7,571</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 2022 (2021: 25%).

7 DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend of 2021, declared and paid of HK0.3 cents (2020: nil) per ordinary share	11,954	–
Final dividend of 2022, proposed of HK0.3 cents (2021: HK0.3 cents) per ordinary share	<u>11,954</u>	<u>11,954</u>

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:

	2022	2021 (Restated)
Profit from continuing operations attributable to equity holders of the Company (<i>HK\$'000</i>)	15,767	26,852
(Loss)/profit from discontinued operation attributable to equity holders of the Company (<i>HK\$'000</i>)	<u>(1,241)</u>	<u>442</u>
	<u>14,526</u>	<u>27,294</u>
Weighted average number of ordinary shares (<i>thousand</i>)	<u>3,984,640</u>	<u>3,984,640</u>
Basic earnings per share:		
From continuing operations attributable to the ordinary equity holders of the Company (<i>HK cents</i>)	0.40	0.67
From discontinued operation (<i>HK cents</i>)	<u>(0.03)</u>	<u>0.01</u>
Total basic earnings per share attributable to the ordinary equity holders of the Company (<i>HK cents</i>)	<u>0.37</u>	<u>0.68</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 2022 and 2021 as there was no dilutive potential shares during the year.

9 INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Supply chain financing platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2021			
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>
Year ended 31 December 2021			
Opening net book amount	60,032	8,332	68,364
Addition	—	34	34
Amortisation charge	—	(2,927)	(2,927)
Exchange difference	1,465	171	1,636
Closing net book value	<u>61,497</u>	<u>5,610</u>	<u>67,107</u>
At 31 December 2021			
Cost	61,497	13,083	74,580
Accumulated amortisation	—	(7,473)	(7,473)
Net book value	<u>61,497</u>	<u>5,610</u>	<u>67,107</u>
Year ended 31 December 2022			
Opening net book amount	61,497	5,610	67,107
Addition	—	6,133	6,133
Amortisation charge	—	(1,351)	(1,351)
Impairment	(945)	—	(945)
Exchange difference	(5,009)	(910)	(5,919)
Closing net book value	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
At 31 December 2022			
Cost	55,543	17,640	73,183
Accumulated amortisation	—	(8,158)	(8,158)
Net book value	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>

Amortisation expense of HK\$1,351,000 (2021: HK\$2,927,000) was charged in administrative expenses.

10 INTERESTS IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2022. The entity listed below has share capital consisting solely of ordinary shares, which is 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. The associate is 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	
				2022	2021	2022	2021
				%	%	HK\$'000	HK\$'000
京西商業保理有限公司(Beijing West Business Factoring Company Limited*) ("Beijing West Business Factoring")	Associate	Provision of factoring services in PRC	The PRC	41.41%	41.41%	83,951	92,930
						2022	2021
						HK\$'000	HK\$'000
Cost of investment in an associate:							
As at 31 December						92,930	91,362
Share of operating profits						523	2,328
Share of other comprehensive income						(7,573)	2,236
Dividend received						(1,929)	(2,996)
Interests in an associate						83,951	92,930

11 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	756,885	1,030,623
Non-current assets	<u>333,229</u>	<u>319,749</u>
	<u>1,090,114</u>	<u>1,350,372</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	756,885	1,030,623
Between 1 and 2 years	72,315	296,499
Between 2 and 3 years	<u>260,914</u>	<u>23,250</u>
	<u>1,090,114</u>	<u>1,350,372</u>

As at 31 December 2022, the Group receivables under sale and leaseback agreements were not yet overdue (2021: same).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	772,246	1,054,994
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u>339,516</u>	<u>321,135</u>
	1,111,762	1,376,129
Provision of impairment loss allowance	<u>(21,648)</u>	<u>(25,757)</u>
	<u>1,090,114</u>	<u>1,350,372</u>

12 TRADE AND BILL RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bill receivables	15,061	31,511
Provision for impairment loss allowance	<u>(28)</u>	<u>(22)</u>
	<u>15,033</u>	<u>31,489</u>

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2022. The maturity periods of bill receivables are normally 6 to 12 months as at 31 December 2022. The aging analysis of trade receivables and bill receivables is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	15,061	2,966
4-6 months	-	26,768
7-9 months	-	1,050
10-12 months	<u>-</u>	<u>727</u>
	<u>15,061</u>	<u>31,511</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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current portion		
Secured bank borrowings	–	94,319
Current portion		
Secured bank borrowings	<u>13,639</u>	<u>196,603</u>
	<u>13,639</u>	<u>290,922</u>

As at 31 December 2022 and 2021, the Group's secured bank borrowings were repayable in accordance with scheduled repayment dates as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Carrying amount repayable:		
Within 1 year	11,200	111,288
Between 1 and 2 years	<u>–</u>	<u>94,319</u>
	<u>11,200</u>	<u>205,607</u>

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

Within 1 year	2,439	82,885
Between 1 and 2 years	<u>–</u>	<u>2,430</u>
	<u>2,439</u>	<u>85,315</u>
	<u>13,639</u>	<u>290,922</u>

14 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2021, 31 December 2021 and 31 December 2022	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 31 December 2022	<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:

	2022 HK\$'000	2021 HK\$'000
Investment properties (<i>Note (a)</i>)	32,900	38,400
Receivables under sale and leaseback arrangements (<i>Note (b)</i>)	<u>73,830</u>	<u>243,289</u>
	<u>106,730</u>	<u>281,689</u>

Notes:

- (a) The Group's investment properties with an aggregate carrying value of HK\$32,900,000 (2021: HK\$38,400,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK\$2,439,000 (2021: HK\$5,315,000).
- (b) The Group's receivables under sale and leaseback arrangements with a carrying value of HK\$73,830,000 (2021: HK\$243,289,000) were pledged to banks to secure for bank borrowings with outstanding amount of HK\$11,200,000 (2021: HK\$205,607,000).

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 2022 (2021: HK\$11.95 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2023. 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 Monday, 22 May 2023, the final dividend is expected to be paid on or about Friday, 14 July 2023. For determining the entitlement to the final dividend, the register of members of the Company will be closed from Monday, 29 May 2023 to Wednesday, 31 May 2023, inclusive, during such period no transfer of shares will be registered. In order to be qualified for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 25 May 2023.

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 Wednesday, 17 May 2023 to Monday, 22 May 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 16 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2022 proved to be a window of opportunity for the business adjustment of Capital Industrial Financial Services. The Group thoroughly implemented its philosophy of high-quality development, as it orderly promoted the adjustment of its business direction, the reshaping of its organizational structure and the establishment of its supply chain finance platform. Focusing on our core businesses including financial leasing, supply chain management services and commercial factoring, we planned and promoted the establishment of a comprehensive platform for supply chain financial services and achieved remarkable results in internal management systems and process optimization, business risk prevention, and information system construction.

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are analysed as below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)	Change
Financial performance			
Revenue from continuing operations	370,638	1,895,594	-80%
Gross profit margin from continuing operations (%)	23%	5%	18%
Profit for the year from continuing operations	33,478	42,051	-20%
Profit attributable to owners of the Company	14,526	27,294	-47%
Key financial indicators			
Total cash	322,904	387,095	-17%
Total assets	2,006,231	2,325,595	-14%
Total liabilities	250,855	435,216	-42%
Bank borrowings	13,639	290,922	-95%
Capital and reserves attributable to owners of the Company	1,417,068	1,537,657	-8%
Current ratio	615%	528%	16%
Basic earnings per share (<i>HK cent</i>)	0.37	0.68	-46%

FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$14,526,000 for the year ended 31 December 2022, as compared with profit attributable to owners of the Company of approximately HK\$27,294,000 for the year ended 31 December 2021, which was mainly due to a decrease in profit from the supply chain management business segment, due to business transformation, decrease in the share of profit of an associate and the decrease in fair value of investment properties. Revenue from continuing operations of the Group for the year ended 31 December 2022 was approximately HK\$370,638,000, which represented a significant decrease of approximately 80% when compared with that of approximately HK\$1,895,594,000 for the year 2021. The decrease was mainly attributable to a decrease in revenue from the supply chain management business segment. The Group recorded a gross profit from continuing operations of approximately HK\$86,832,000 for the year ended 31 December 2022, representing a decrease of approximately 15% when compared with the gross profit of approximately HK\$102,691,000 for the year 2021. The Group recorded a gross profit margin from continuing operations of approximately 23% for the year ended 31 December 2022, representing a significant increase when compared with the gross profit margin of approximately 5% for the year 2021. Basic earnings per share of the Group for the year ended 31 December 2022 was HK0.37 cent (2021: basic earnings per share was HK0.68 cent).

Revenue from continuing operations for the year ended 31 December 2022 was approximately HK\$370,638,000, representing a significant decrease of approximately 80% when compared with that of approximately HK\$1,895,594,000 for the year 2021. The decrease was mainly attributable to the business transformation in accordance with market condition, the suspension of business covering full-process services including steel product trading and logistics under the supply chain management business segment which led to a significant decrease in revenue by approximately HK\$1.5 billion.

The Group recorded a gross profit from continuing operations of approximately HK\$86,832,000 for the year ended 31 December 2022, representing a decrease of 15%, when compared with the gross profit of approximately HK\$102,691,000 for the year 2021. The Group recorded a gross profit margin from continuing operation of approximately 23% for the year ended 31 December 2022, representing a significant increase when compared with the gross profit margin from continuing operation of approximately 5% for the year 2021, which was mainly attributable to the growth of the C-end business of the financial leasing services segment, and the decrease in the scale of business covering full-process services including steel product trading and logistics under the supply chain management service business segment.

Other income from continuing operations for the year ended 31 December 2022 amounted to approximately HK\$9,696,000 (2021: HK\$5,831,000), representing a significant increase of approximately 66%. The increase was mainly due to the increase in interest income from deposits.

Administrative expenses from continuing operations for the year ended 31 December 2022 amounted to approximately HK\$53,480,000 (2021: HK\$58,804,000), representing a decrease of approximately 9%. The decrease was mainly due to the reduction in staff cost and the consultancy and management services provided by Shougang Holdings (Hong Kong) Limited (“Shougang Holdings”) has been terminated during the year.

For the year ended 31 December 2022, share of profit of associates amounted to approximately HK\$523,000 (2021: HK\$2,328,000), as our associates continued to make contributions to the Group’s profit.

BUSINESS REVIEW AND OUTLOOK

Focusing specifically on its core businesses including financial leasing, supply chain management services and commercial factoring, the Group has established a comprehensive platform for supply chain financial services and will give full play to the important role of financial services in empowering real economy. Taking advantage of our industrial advantages and competitive edges, we focus on the provision of customized and comprehensive financial service solutions to the steel industry and upstream and downstream customers on the industry chain for different business scenarios including the C-end market, and strive to meet our medium- and long-term strategic goal of continuous growth in performance.

Sale and Lease Back Arrangements Services Segment

An indirectly owned subsidiary of the Company, South China International Leasing Co., Ltd. (“South China Leasing”), principally engages in the provision of financial leasing in the PRC. The principal mode of finance lease offered by South China Leasing mainly include direct leasing and sale and leaseback arrangements. The major source of fund for this business is loans from banks and internal resources of the Group.

Direct leasing: Under this arrangement, the lessee designates the supplier of the selected equipment. Then the lessee, the equipment supplier, and South China Leasing sign a tripartite leasing contract pursuant to which South China Leasing will pay the equipment supplier for the equipment after acceptance of the equipment by the lessee and the lessee will pay South China Leasing rent for the use of the equipment based on the agreed terms.

Sale and leaseback: Under this arrangement, the lessee sells the subject equipment to South China Leasing and signs an equipment sale and purchase contract with South China Leasing. Then South China Leasing signs a sale-and-leaseback contract with the lessee. South China Leasing will pay the lessee for the equipment and the lessee will pay South China Leasing rent for using the equipment based on the agreed terms.

South China Leasing focuses on steel companies and domestic conglomerates as well as their upstream and downstream customers as its core customer groups as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure. Most customers of South China Leasing in the PRC are obtained through (a) referrals from business partners of existing customers, banks or peers and (b) marketing and sales effort from South China Leasing.

As at 31 December 2022, approximately 30% (2021: 36%) of the total receivables under the sale and leaseback arrangement was due from the Group's largest sale and leaseback customer which is a related party of the Group. As at 31 December 2022, approximately 58% (2021: 96%) of the total receivables under the sale and leaseback arrangement was due from the Group's five largest sale and leaseback customers, of which two such customers are related parties of the Group. Such related customers accounted for approximately 32% of the total receivables under sale and leaseback arrangement, and the remaining three customers accounted for approximately 14%, 12% and 0% of the total receivables under the sale and leaseback arrangement respectively.

Customer Diversity Table

Customers	Receivables as at 31 December 2022	
	HK\$000	%
Independent individual customers	463,047	42
Tonghua Steel Co., Ltd.*#	329,059	30
Rugao Port Group Co., Ltd.^	147,593	14
Jinyuan Huaxing Financial Leasing Co., Ltd.* ^	132,312	12
Shougang Qian'an Iron and Steel Co., Ltd.*#	17,918	2
Hangzhou Big Box Automobile Service Co., Ltd.	<u>185</u>	<u>0</u>

Notes:

Tonghua Steel Co., Ltd.* and Shougang Qian'an Iron and Steel Co., Ltd.* are subsidiaries of Shougang Group Co., Ltd., Shougang Group Co., Ltd., a company established in the PRC, which is the holding company of Wheeling Holdings Limited, which in turn, Wheeling Holdings Limited is the controlling shareholder of the Company. Therefore, Tonghua Steel Co., Ltd.* and Shougang Qian'an Iron and Steel Co., Ltd.* are connected persons of the Company.

^ Rugao Port Group Co., Ltd is a limited liability company established in the PRC. It is principally engaged in coal and timber trading and the provision of port logistic services in Rugao City, Jiangsu Province, the PRC. Jinyuan Huaxing Financial Leasing Co., Ltd.*, is a limited liability company principally engaged in the business of finance leases in Shangrao City, Jiangxi Province, the PRC. Therefore, Rugao Port Group Co., Ltd. and Jinyuan Huaxing Financial Leasing Co., Ltd. are independent of the Company and its connected persons.

* For identification purpose only

As at 31 December 2022, the Group had entered into 63,714 finance lease transactions of which 63,701 finance lease transactions were with independent individual customers, with principal amounts ranged from approximately RMB800 to RMB300 million. The Group's sale and leaseback customers are spread across diverse industries such as manufacturing industries, property development, trading and port logistics services provider, intelligent car wash service provider, and individual mobile phone rental customers.

During the year, revenue from the sale and leaseback arrangements services segment decreased by approximately 2% to approximately HK\$90,300,000 (2021: HK\$91,816,000), and the segment recorded a profit of approximately HK\$77,458,000 (2021: HK\$67,501,000). The revenue from the sale and leaseback arrangements services segment is stable and the increase in segment's performance was mainly due to the development of the C-end business and the recovery of receivables under sale and leaseback arrangement previously written off.

Supply Chain Management Business Segment

During the year, revenue from the supply chain management business segment was approximately HK\$275,880,000 (2021: HK\$1,803,045,000). The supply chain management business segment recorded a profit of approximately HK\$2,795,000 (2021: HK\$8,525,000). 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. In the face of macro circumstances such as the ever-changing situation of the COVID-19 pandemic globally and the instability lie in the momentum of economic recovery, the supply chain management business segment adopted a prudent approach in response to market conditions, and took initiative in making adjustments to its scale of business. The supply chain management segment has suspended its trading of goods business since August 2022, and has fully shifted to and focused on the multi-tier transfer of electronic creditor's rights certificates and related businesses for the steel industry chain. Based on the business application scenarios of core enterprises, this business provides negotiable, apportionable and financeable electronic creditor's rights certificate to core enterprises. In November 2022, the Shougang Jingpiao System, a multi-tier transfer system for electronic creditor's rights certificates created by the Group to serve the upstream and downstream of the steel industry chain, was officially online and put into operation. This business transformation led to a slowdown in revenue and segment performance.

Assets Management and Consultancy Services Segment

During the year, revenue from the assets management and consultancy services segment was nil (2021: HK\$2,409,000), and the segment recorded a loss of approximately HK\$1,241,000 (2021: a profit of approximately HK\$442,000). The decrease in revenue from the assets management and consultancy services segment and the segment loss were mainly due to the downsizing and discontinued of the consultancy business.

Property Leasing Services Segment

During the year, revenue from the property leasing services segment increased to approximately HK\$4,458,000 (2021: HK\$733,000), and the segment recorded a profit of approximately HK\$1,783,000 (2021: HK\$796,000). The increase in revenue and segment result from the property leasing services segment was mainly attributable to the investment property in Shenzhen has been leased out for the whole year.

Looking ahead into 2023, under the policy environment and market environment of promoting financial innovation, Capital Industrial Financial Services will continue to focus on high-quality development, seize new opportunities offered by the digital economy, explore new paths for transformation and development, research and formulate long-term plans for business development, devote itself to expanding its services for the steel industry chain, strive to increase the Company's market capitalization and achieve unprecedented economic benefits. 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 2022 as compared to 31 December 2021 is summarized below:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000
Total borrowings		
Current borrowings	44,282	196,603
Non-current borrowings	–	94,319
Sub-total	44,282	290,922
Total cash		
Cash and cash equivalents	322,904	387,095
Total equity	1,755,376	1,890,379
Total assets	2,006,231	2,325,595
Financial Leverage		
Current ratio	<u>615%</u>	<u>528%</u>

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$322,904,000 (31 December 2021: HK\$387,095,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the repayment of bank borrowings of approximately HK\$342,245,000.

As at 31 December 2022, the Group's borrowings amounted to approximately HK\$44,282,000 (2021: HK\$290,922,000) of which HK\$44,282,000 (2021: HK\$196,603,000) were repayable within twelve months from 31 December 2022 and none of which (2021: HK\$94,319,000) was repayable after twelve months from 31 December 2022. During the year, the Group obtained new bank borrowings of approximately HK\$70,000,000 (2021: HK\$148,382,000) 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\$1,417,068,000 as at 31 December 2022 (31 December 2021: HK\$1,537,657,000). The decrease was mainly due to the exchange differences arising on translation of approximately HK\$117,481,000 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).

CHANGE OF COMPANY NAME

The English name of the Company has been changed from “Shougang Concord Grand (Group) Limited” to “Capital Industrial Financial Services Group Limited” and the adoption of the Chinese name “首惠產業金融服務集團有限公司” for identification purpose, with effect from 28 March 2022.

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 2022, the Group had the following charge on assets:

- (i) The Group’s investment properties with an aggregate carrying value of approximately HK\$32,900,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$2,439,000.
- (ii) The Group’s receivables under sale and leaseback arrangements with a carrying value of approximately HK\$73,830,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$11,200,000.

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 2022, the Group had no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2022.

EMPLOYEES

As at 31 December 2022, the Group employed 50 (31 December 2021: 47) 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 2022, 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 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 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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 2022 as set out in the preliminary 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 and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary 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
Capital Industrial Financial Services Group Limited
Sun Yajie
Chairman

Hong Kong, 24 March 2023

As at the date of this announcement, the Board comprises Ms. Sun Yajie (Chairman); Mr. Liang Henryi (Managing Director); Mr. Tian Gang (Executive Director); Mr. Huang Donglin (Non-executive Director); Ms. Qiao Yufei (Non-executive Director); Mr. Tam King Ching, Kenny (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*