首 長 國 際 企 業 有 限 公 司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

– Revenue from continuing operations of the Group was HK$396 million, up 124% from last year.

– Gross profit from continuing operations of the Group was HK$202 million, up 87% from last year.

– Profit attributable to owners of the Company was HK$443 million, up 25.5% from last year.

– Earnings per share (after the effect of the Share Consolidation) was HK8.33 cents.

The Board has recommended a final dividend for the year 2019 in the total amount of HK$500 million (2018: HK$700 million).

The board of directors (the "**Board**") of Shougang Concord International Enterprises Company 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 2019 with comparative figures for the year ended 31 December 2018. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue	5	**396,091**	176,504
Cost of sales		**(193,695)**	(68,324)
Gross profit		**202,396**	108,180
Other income		**92,690**	36,688
Other gains, net		**21,873**	21,863
Provision for impairment losses	10	**(400)**	–
Changes in fair value of commodity contracts		**(3,618)**	44,713
Loss on disposal of a subsidiary	15	**(124,599)**	–
Gain on bargain purchase	14(a)	**86,155**	–
Administrative expenses		**(230,774)**	(161,849)
Operating profit		**43,723**	49,595
Finance costs		**(27,358)**	(5,699)
Share of results of associates		**295,502**	275,363
Share of results of joint ventures		**89**	3,253
Profit before income tax		**311,956**	322,512
Income tax credit/(expense)	6	**129,205**	(10,011)
Profit from continuing operations		**441,161**	312,501
Profit from discontinued operation (attributable to equity holders of the Company)	8	**904**	44,270
Profit for the year		**442,065**	356,771
Profit is attributable to:			
Owners of the Company		**443,003**	353,097
Non-controlling interests		**(938)**	3,674
		442,065	356,771

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000 (Restated)
Other comprehensive (loss)/income			
Items that have been/maybe subsequently reclassified to profit or loss:			
Share of exchange differences of associates and joint ventures arising on translation of foreign operations		**(70,072)**	(167,943)
Reclassification of exchange reserve upon disposal of a subsidiary		**(96,563)**	–
Exchange differences arising on translation of foreign operations		**(55,264)**	(29,613)
Items that will not be reclassified to profit or loss:			
Share of fair value change on investment in equity instruments designated as fair value through other comprehensive income of an associate		**96,905**	6,730
Other comprehensive loss for the year		**(124,994)**	(190,826)
Total comprehensive income for the year		**317,071**	165,945
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**322,174**	169,634
Non-controlling interests		**(5,103)**	(3,689)
		317,071	165,945
Total comprehensive income attributable to owners of the Company:			
Continuing operations		**321,270**	125,364
Discontinued operation	*8*	**904**	44,270
		322,174	169,634
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
– Basic and diluted *(HK cents)*	*7*	**8.31**	7.67
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
– Basic and diluted *(HK cents)*	*7*	**8.33**	8.77

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	**2019** **HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**17,234**	8,066
Right-of-use assets		**1,087,452**	–
Investment properties		**148,856**	151,702
Investments in associates	*9*	**5,034,394**	5,232,325
Investments in joint ventures		**269,471**	80,216
Financial assets at fair value through profit or loss – non-current		**238,569**	195,416
Assets relating to commodity contracts – non-current		**–**	150,193
Prepayments and deposits		**129,671**	–
Deferred income tax assets		**3,076**	–
Other non-current assets		**258,756**	246,280
Total non-current assets		**7,187,479**	6,064,198
Current assets			
Trade and bills receivables	*10*	**99,294**	117,231
Prepayments, deposits and other receivables		**103,079**	64,153
Financial assets at fair value through profit or loss – current		**527,194**	145,316
Assets relating to commodity contracts – current		**–**	3,425
Restricted bank deposits		**22,763**	2,036
Bank balances and cash		**3,057,215**	3,034,026
Total current assets		**3,809,545**	3,366,187
Total assets		**10,997,024**	9,430,385
Equity			
Capital and reserves			
Share capital	*12*	**10,125,972**	8,830,429
Reserves		**(441,667)**	135,828
Capital and reserves attributable to owners of the Company		**9,684,305**	8,966,257
Non-controlling interests		**138,319**	29,199
Total equity		**9,822,624**	8,995,456

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings – non-current		**450,957**	–
Lease liabilities – non-current		**397,411**	–
Deferred income tax liabilities		**36,070**	29,633
Other non-current liabilities		**–**	1,139
Total non-current liabilities		**884,438**	30,772
Current liabilities			
Trade and bills payables	*11*	**22,324**	61,379
Other payables, provision and accrued liabilities		**145,005**	74,720
Contract liabilities		**9,611**	8,047
Tax payable		**33,959**	156,868
Borrowings – current		**5,710**	103,143
Lease liabilities – current		**73,353**	–
Total current liabilities		**289,962**	404,157
Total liabilities		**1,174,400**	434,929
Total equity and liabilities		**10,997,024**	9,430,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 GENERAL INFORMATION

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The addresses of the registered office and principal place of business of the Company are 7th floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars, unless otherwise stated. These financial statements have been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 30 March 2020.

2 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") and 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 investment properties and financial assets and liabilities at fair value through profit or loss, which are carried at fair values.

The financial information relating to the years ended 31 December 2018 and 2019 included in this preliminary announcement of annual results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

The Company's auditors have reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The preparation of the financial statements in conformity with HKFRSs 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.

3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The following new accounting standards, amendments to standards and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in the consolidated financial statements. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and revised HKFRSs issued but not yet effective

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the year ended 31 December 2019 and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contract	1 January 2021

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Group is expected when they become effective.

(c) Impact of adoption on financial statements – HKFRS 16

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the year ended 31 December 2018, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.6%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	145,860
Discounted using the lessee's incremental borrowing rate at the date of initial application	134,513
Less: short-term leases not recognised as a liability	(6,314)
Less: adjustments as a result of a different treatment of extension and termination options	(2,142)
Less: adjustments relating to lease contracts commencing after the date of initial application	(86,762)
Lease liabilities recognised as at 1 January 2019	39,295
Of which are:	
Current lease liabilities	6,511
Non-current lease liabilities	32,784
	39,295

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018.

(iv) Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- right-of-use assets – increase by approximately HK$78,701,000
- prepayments – decrease by approximately HK$39,406,000
- lease liabilities – increase by approximately HK$39,295,000

There was no net impact on accumulated losses as at 1 January 2019.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4 RESTATEMENTS DUE TO DISCONTINUED OPERATION

Certain comparative information for the year ended 31 December 2018 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 2018.

Please refer to Note 8 for the details of the discontinued operation.

5 REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in trading of iron ore, management and operations of car parking assets and management of private funds. During the year ended 31 December 2019, the Group ceased the business of trading of iron ore and reclassified the relevant business as discontinued operation (refer to Note 8 for the details of discontinued operation). Revenue from continuing operations recognised during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Revenue under HKFRS 15:		
Fund management services income	**185,532**	93,443
Carpark income	**150,791**	56,275
Others	**38,206**	11,801
	374,529	161,519
Revenue under other accounting standards:		
Investment (loss)/gain on unlisted equity securities	**(4,665)**	9,222
Leasing income	**26,227**	5,763
Total revenue	**396,091**	176,504

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Timing of revenue recognition		
– Overtime	**374,529**	161,519

Information reported to the executive directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

Continuing operations

Car parking assets operation and management business ("**Carpark operation**")	management and operations of car parking assets
Urban renewal-oriented fund management business ("**Fund management**")	management of private funds

Discontinued operation

Trading business	trading of iron ore

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 December 2019

	Continuing operations				**Discontinued operation**	
	Fund management *HK$'000*	**Carpark operation** *HK$'000*	**Others** *HK$'000*	**Sub-total** *HK$'000*	**Trading business** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**180,867**	**177,018**	**38,206**	**396,091**	**137,075**	**533,166**
Segment profit/(losses)	**195,383**	**(43,124)**	**(4,940)**	**147,319**	**904**	**148,223**
Segment profit/(losses) include:						
Fair value gain on step acquisition	**–**	**4,802**	**–**	**4,802**	**–**	**4,802**
Share of results of associates	**810**	**–**	**–**	**810**	**–**	**810**
Share of results of joint ventures	**–**	**89**	**–**	**89**	**–**	**89**
Gain on bargain purchase	**86,155**	**–**	**–**	**86,155**	**–**	**86,155**
Other income						**56,163**
Central administration costs						**(58,001)**
Changes in fair value of commodity contracts						**(3,618)**
Loss on disposal of a subsidiary						**(124,599)**
Share of results of associates						**294,692**
Profit before income tax						**312,860**

For the year ended 31 December 2018

	Continuing operations				Discontinued operation	
	Fund management *HK$'000*	Carpark operation *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Revenue from external customers	102,665	62,038	11,801	176,504	1,499,792	1,676,296
Segment profit/(losses)	24,598	(23,479)	(672)	447	44,270	44,717
Segment profit/(losses) include:						
Share of results of joint ventures	–	3,253	–	3,253	–	3,253
Other income						36,688
Other gains, net						13,612
Central administration costs						(42,612)
Changes in fair value of commodity contracts						44,713
Finance costs						(5,699)
Share of results of associates						275,363
Profit before income tax						366,782

Segment assets and liabilities

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

As at 31 December 2019

	Continuing operations			Discontinued operation	
	Fund management *HK$'000*	**Carpark operation** *HK$'000*	**Others** *HK$'000*	**Trading business** *HK$'000*	**Total** *HK$'000*
Total segment assets	**994,344**	**1,997,095**	**33,293**	**76**	**3,024,808**
Total segment assets include:					
Investments in associates	**156,518**	**–**	**–**	**–**	**156,518**
Investments in joint ventures	**–**	**269,471**	**–**	**–**	**269,471**
Investments in associates					**4,877,876**
Bank balances and cash					**3,057,215**
Unallocated assets					**37,125**
Consolidated assets					**10,997,024**
Total segment liabilities	**72,490**	**1,067,186**	**7,198**	**8,907**	**1,155,781**
Unallocated liabilities					**18,619**
Consolidated liabilities					**1,174,400**

As at 31 December 2018

	Continuing operations			Discontinued operation	
	Fund management *HK$'000*	Carpark operation *HK$'000*	Others *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Total segment assets	326,919	453,878	18,449	102,475	901,721
Total segment assets include:					
Investments in joint ventures	–	80,216	–	–	80,216
Investments in associates					5,232,325
Bank balances and cash					3,034,026
Unallocated assets					262,313
Consolidated assets					9,430,385
Total segment liabilities	29,995	61,326	7,648	55,426	154,395
Unallocated liabilities					280,534
Consolidated liabilities					434,929

As at 31 December 2019, there was no unsatisfied performance obligations (2018: Nil).

Other segment information

2019

	Continuing operations			Discontinued operation	
	Fund management *HK$'000*	**Carpark operation** *HK$'000*	**Others** *HK$'000*	**Trading business** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets *(Note)*	**–**	**83,986**	**–**	**–**	**83,986**
Additions to right-of-use assets	**1,346**	**1,064,849**	**–**	**–**	**1,066,195**
Depreciation of property, plant and equipment	**717**	**1,665**	**242**	**73**	**2,697**
Depreciation of right-of-use assets	**2,436**	**68,490**	**–**	**–**	**70,926**
(Provision for)/reversal of provision for impairment losses for trade receivables	**–**	**(400)**	**–**	**603**	**203**
Increase in fair value of investment properties	**–**	**–**	**100**	**–**	**100**

2018

	Continuing operations			Discontinued operation	
	Fund management *HK$'000*	Carpark operation *HK$'000*	Others *HK$'000*	Trading business *HK$'000*	Total *HK$'000*
Additions to non-current assets *(Note)*	–	4,985	–	–	4,985
Depreciation of property, plant and equipment	553	305	212	50	1,120
Reversal of provision for impairment losses for trade receivables	–	–	–	13,898	13,898
Increase in fair value of investment properties	–	7,752	200	–	7,952

Note: Non-current assets exclude those assets arising from the acquisitions as detailed in the consolidated financial statements, financial assets at fair value through profit or loss – non-current, assets relating to commodity contracts and deferred tax assets.

Geographical information

The non-current assets, operations and substantially all of the customers of the continuing operations are located in the PRC which is the country of domicile of the relevant entities of the Group. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location for the continuing operations is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales from continuing operations of the Group from the continuing operations are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**75,238**	29,309
Customer B[1]	**N/A[2]**	22,925

Note: [1] Revenue from fund management

[2] The corresponding revenue did not contribute over 10% of the total sales of the Group

6 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Current income tax:		
Taxation outside Hong Kong		
– The PRC	**25,018**	9,338
– Australia	**(148,355)**	–
Deferred income tax	**(5,868)**	673
Income tax (credit)/expense	**(129,205)**	10,011
Income tax (credit)/expense from continuing operations	**(129,205)**	10,011
Income tax expense from discontinued operation	**–**	–
	(129,205)	10,011

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit (2018: 16.5%).

No provision for Hong Kong profits tax have made in the consolidated financial statements as the Group has no Hong Kong assessable profit for both years.

In 2016, the income tax expenses included Hong Kong profits tax of approximately HK$49,061,000 in relation to the offshore trading profits of iron ore claimed by the Group in prior years (the "**Offshore Claim**"). The Group received tax assessment demanding notes on the Offshore Claim (the "**Assessment**") issued by the Inland Revenue Department subsequent to the end of the reporting period of 2016. Although the management of the Group lodged an objection against the Assessment, provision for prior years' Hong Kong profits tax of HK$49,061,000 was made as the management of the Group was uncertain about the probability of the success of the objection.

In 2018 and 2019, the abovementioned tax objection has not yet been resolved, resulting in the tax certificates of approximately HK$48,343,000 being purchased as requested by the Inland Revenue Department. The balance of tax certificates and corresponding profits tax payable were presented on a net basis within tax payable as the Group had a legally enforceable right to and intent to settle on a net basis.

China enterprise income tax

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 2019 (2018: 25%).

Australian capital gain tax

On 22 September 2009, the Group entered into an agreement with Shougang Fushan Resources Group Limited ("**Resources**" and previously known as Fushan International Energy Group Limited), pursuant to which the Group has agreed to sell the investment in equity securities of Mount Gibson Iron Limited ("**MGI**"), which was previously recognised as available-for-sale investments, to Resources for a consideration of approximately HK$1,188,531,000. The total number of MGI shares held and disposed by the Group was approximately 154,167,000 and the consideration was based on the market price of MGI on 22 September 2009, which was 1.14 Australian Dollar ("**AUD**") (equivalent to approximately HK$7.72 per share). The consideration was satisfied in full by the allotment and issue of approximately 213,918,000 shares of Resources to the Group at HK$5.556 per share, which was determined by reference to the prevailing market price of Resources on the same date.

A provision of Australian capital gain tax in relation to the transaction above was made by a subsidiary of the Group that originally held the shares of MGI. Thereafter, the Group had not received any objection or amended assessment from the Commissioner of Taxation of the Australia Government in regards of this transaction. During the year, the Group engaged external tax and legal advisors to review the tax exposure of this transaction and noted that the subsidiary has been approved for dissolution on 19 July 2019 by relevant authorities. In the opinion of the external tax and legal advisors of the Group, the possibility of the capital gain tax being recovered by the tax authority after dissolution of the subsidiary become remote. Accordingly, the provision for capital gain tax amounted to HK$148,355,000 has been released and recognised as an income tax credit during the year ended 31 December 2019.

7 EARNINGS PER SHARE

(a) Basic

The basic earnings per share for the year is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2019 ***HK cents***	2018 *HK cents* (Restated)
From continuing operations attributable to the ordinary equity holders of the Company	**8.31**	7.67
From discontinued operation	**0.02**	1.10
Total basic earnings per share attributable to the ordinary equity holders of the Company	**8.33**	8.77

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares.

The Company did not have any potential dilutive shares throughout the year ended 31 December 2019. Accordingly, diluted earnings per share is the same as the basic earnings per share (2018: Same).

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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**442,099**	308,827
From discontinued operation	**904**	44,270
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**443,003**	353,097

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

	2019	2018
		(Restated)
Weighted average number of ordinary shares for basic earnings per share *(thousands) (Note)*	**5,321,329**	4,024,346

Note: The weighted average number of ordinary shares for basic earnings per share has been restated since the share consolidation has been approved by the shareholders of the Company on 26 March 2020 and become effective on 30 March 2020 as disclosed in the consolidated financial statements.

8 DISCONTINUED OPERATION

Upon completion of the sales of the First Commodity Contracts as detailed in the consolidated financial statements, the management decided to cease the operation of the trading business of the Group. Consequently, the operating segment of trading business is reported as a discontinued operation. Financial information relating to the discontinued operation is set out below.

The financial performance and cash flow information presented are for the year ended 31 December 2019 and 2018.

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**137,075**	1,499,792
Cost of sales	**(129,083)**	(1,447,435)
Gross profit	**7,992**	52,357
Other losses, net	**(3,275)**	(5,759)
Reversal of provision of impairment loss of financial assets	**603**	13,898
Administrative expenses	**(4,416)**	(16,226)
Profit before income tax	**904**	44,270
Income tax expense	**–**	–
Profit and total comprehensive income for the year from discontinued operation	**904**	44,270
Net cash inflow from operating activities	**56,710**	239,722
Net cash inflow/(outflow) from investing activities	**2,185**	(50,460)
Net cash outflow from financing activities	**(126,839)**	(347,200)
Net decrease in cash and cash equivalents	**(67,944)**	(157,938)

9 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2019 which, in the opinion of the directors, are material to the Group. 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	Place of incorporation	Principal place of operation	Measurement method	Proportion of issued shares/registered capital held by the Group		Quoted fair value		Carrying amount		Principal activities
				2019	2018	**2019**	2018	**2019**	2018	
Shougang Fushan Resources Group Limited ("**Shougang Resources**")	Hong Kong	The PRC	Equity method	**27.61%**	27.61%	**2,457,854**	2,326,183	**4,877,876**	4,821,128	Coking coal mining, production and sale of coking coal products and side products
Shougang Concord Century Holdings Limited ("**Shougang Century**") *(Note (a))*	Hong Kong	The PRC	Equity method	**–**	35.71%	**–**	129,091	**–**	411,197	Manufacturing and sales of steel cords and processing and trading of copper and brass products
Immaterial associates below										
北京創業公社投資發展有限公司 (Beijing Vstartup Investment and Development Co., Ltd.*) *(Note (b))*	The PRC	The PRC	Equity method	**21.77%**	–	**–**△	–	**136,224**	–	Leasing of shared workplace for startups
京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) *(Note (b))*	Hong Kong	The PRC	Equity method	**11.68%**	–	**–**△	–	**20,294**	–	Provision of trade financing
								5,034,394	5,232,325	

△ Private entity – no quoted price available

Notes:

(a) On 21 November 2018, the Company announced that it had entered into a sale and purchase agreement with Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"), the holding company of the Company, pursuant to which the Company had conditionally agreed to sell, and Shougang Holding had conditionally agreed to purchase, the entire equity interest of Fair Union Holdings Limited ("**Fair Union**") at a consideration of HK$205,997,000 (the "**Restructuring**"). The transaction was completed on 9 April 2019, and the Group retained no interest in Shougang Century. Details are set out in Note 15.

(b) Beijing Vstartup Investment and Development Co., Ltd.* and Beijing West Business Factoring Company Limited* were acquired through the acquisition of 北京京西創業投資基金管理有限公司 (Beijing West Fund Management Co., Ltd* ("**Beijing West**") in 2019. Details are set out in Note 14(a).

* *For identification purposes only*

Goodwill

Included in the cost of investment in Shougang Resources, an associate of the Group, is goodwill of approximately HK$1,048,488,000 (2018: HK$1,048,488,000) arising from the acquisition of Shougang Resources.

10 TRADE AND BILLS RECEIVABLES

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2019 (2018: 90 to 180 days). The maturity periods of bills receivables are normally 90 to 180 days as at 31 December 2019 (2018: 90 to 180 days). The following are aging analysis of trade and bills receivables net of provision for impairment losses presented based on the invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	2019	2018
	HK$'000	*HK$'000*
Within 60 days	**54,584**	117,231
61 – 90 days	**20,201**	–
91 – 180 days	**24,509**	–
	99,294	117,231

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

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Movement in the provision for impairment losses for trade and bills receivables is as follow:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**13,577**	27,475
Written-off	**(10,751)**	–
Reversal of provision for impairment losses *(Note (a))*	**(203)**	(13,898)
At 31 December	**2,623**	13,577

The entire balance of the provision for impairment losses for trade and bills receivables with an aggregate amount of HK$2,623,000 (2018: HK$13,577,000) are individually impaired trade receivables.

Note (a): It represents provision for impairment losses for trade receivables of HK$400,000 from continuing operations (2018: Nil) and reversal of provision for impairment losses for trade receivables of HK$603,000 from discontinued operation (2018: HK$13,898,000).

11 TRADE AND BILLS PAYABLES

The following is an aging analysis of trade and bills payables presented based on the invoice dates at the end of the reporting period:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**9,121**	61,379
91 – 180 days	**3,004**	–
181 – 365 days	**3,603**	–
Over 365 days	**6,596**	–
	22,324	61,379

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that most of the payables are within the credit timeframe.

12 SHARE CAPITAL

	Number of share	**Share capital**
	'000	*HK$'000*
Ordinary shares issued and fully paid:		
At 31 December 2017	17,915,792	7,349,545
Issue of new shares on 26 March 2018 *(Note (a))*	1,047,931	227,401
Issue of new shares on 19 September 2018 *(Note (b))*	4,903,742	1,225,935
Issue of new shares on 28 December 2018 *(Note (c))*	177,426	34,775
Transaction costs attributable to issue of new shares *(Note (b))*	–	(7,227)
At 31 December 2018	24,044,891	8,830,429
Issue of new shares on 9 April 2019 *(Note (d))*	3,384,043	846,011
Issue of new shares on 11 December 2019 *(Note (e))*	1,500,000	450,000
Transaction costs attributable to issue of new shares *(Note (d) and (e))*	–	(468)
At 31 December 2019	28,928,934	10,125,972

Note (a): On 26 March 2018, the Company issued 1,047,931,056 shares as a part of the consideration for the acquisition of 44.95% equity interest of Shouzhong Investment, a subsidiary of Group at the closing market price on the transaction completion date of HK$0.217 per share.

Note (b): On 19 September 2018, the Company allotted and issued 2,800,000,000, 600,000,000 and 1,503,741,731 shares at a subscription price of HK$0.250 per share to Jingxi Holdings Limited (a subsidiary of Shougang Fund), Rocket Parade Limited and ORIX Asia Capital Limited, respectively. The total net proceeds of approximately HK$1,218,708,000 has resulted an increase in share capital of approximately HK$1,218,708,000.

Note (c): On 28 December 2018, the Company allotted and issued 177,425,528 shares as part of the consideration for the acquisition of 100% equity interest of Urban Parking at the share price per share of HK$0.196.

Note (d): On 9 April 2019, the Company allotted and issued 2,715,464,456, 548,578,678 and 120,000,000 shares at a subscription price of HK$0.250 per share to Soteria Financial Investment Company Limited, Red Avenue Investment Group Limited and Matrix Partners China V Hong Kong Limited, respectively. The total proceeds of approximately HK$846,011,000 net of transaction cost of approximately HK$272,000 has resulted an increase in share capital of approximately HK$846,011,000.

Note (e): On 11 December 2019, the Company allotted and issued 1,500,000,000 shares at a subscription price of HK$0.30 per share to JD Fountain Technology (Hong Kong) Limited. The total proceeds of approximately HK$449,804,000 net of transaction cost of approximately HK$196,000 has resulted an increase in share capital of approximately HK$449,804,000.

Note (f): On 26 March 2020, the shareholders of the Company have approved a share consolidation on the basis of every five shares into one consolidated share and become effective on 30 March 2020.

13 DIVIDENDS

On 30 March 2020, the Board has recommended a final dividend in the total amount of HK$500 million for the year ended 31 December 2019. Based on the enlarged total number of issued shares of 6,925,576,780 shares of the Company immediately following the completion of the subscriptions of shares pursuant to the subscription agreements announced by the Company on 21 February 2020 and the share consolidation on the basis of every five ordinary shares of the Company be consolidated into one ordinary share of the Company becoming effective on 30 March 2020, such a final dividend would amount to HK7.22 cents per share. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2019 has not been recognised as a liability as at 31 December 2019.

On 26 March 2019, the Board has recommended a final dividend in the total amount of HK$700 million for the year ended 31 December 2018. Based on the enlarged total number of issued shares of 27,428,933,903 shares of the Company immediately following the completion of the subscriptions of shares pursuant to the subscription agreements announced by the Company on 19 March 2019, such a final dividend would amount to HK2.55 cents per share. The final dividend has been approved by the shareholders at annual general meeting held on 28 May 2019. The final dividend proposed after 31 December 2018 has not been recognised as a liability as at 31 December 2018.

14 BUSINESS COMBINATION

(a) Acquisition of 90% equity interest in 北京京西創業投資基金管理有限公司 (Beijing West Fund Management Co., Ltd., "Beijing West") in 2019

In 2019, the Group has undergone a series of linked transactions as part of the Group restructuring of the holding group of the Company.

On 29 March 2019, the Group entered into an equity transfer and capital increase agreement with 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd., "Shougang Fund"), a limited liability company established in the PRC and a wholly-owned subsidiary of Shougang Group, to acquire 75% of the equity interest in Beijing West, a limited liability company established in the PRC, and to inject approximately RMB89,859,000 (equivalent to approximately HK$104,757,000) in cash as capital contribution into Beijing West, accordingly, the Group held 87.5% of equity interest in Beijing West. On 6 May 2019, the Group further acquired 2.5% of the equity interest in Beijing West from an independent third party. The principal activity of Beijing West and its subsidiaries (collectively referred to as the "Beijing West Group") is provision of private fund management services in the PRC.

Upon completion of the acquisition, the Group is regarded as having control over Beijing West Group. As such, Beijing West Group is accounted for as non-wholly owned subsidiaries of the Company, and the financial results of Beijing West Group are consolidated into the results of the Group. A gain on bargain purchase of approximately HK$86,155,000 was recorded in the consolidated statement of comprehensive income, as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of the identifiable assets acquired and liabilities assumed to their values with reference to the valuation report prepared by Flagship Appraisals and Consulting Limited, an independent qualified professional valuer not connected to the Group.

The fair value of the identifiable assets and liabilities acquired is determined on a provisional basis and may be adjusted upon completion of initial accounting year which shall not exceed one year from the respective acquisition date.

(b) Step acquisition of 北京首中停車場管理有限公司 (Beijing Shouzhong Car Parking Company Limited, "Shouzhong Parking") in 2019 ("Step Acquisition")

On 30 December 2018, the Group entered into the Capital Increase Agreement with Shougang Fund to inject RMB76,000,000 (equivalent to approximately HK$84,013,000) in cash as capital contribution into Shouzhong Parking, a limited liability company established in the PRC. Upon the date of completion of the capital contribution in March 2019 ("Step Acquisition Date"), the Group's aggregate indirect equity interest in Shouzhong Parking was increased from approximately 48.13% to approximately 66.05% and accordingly, the Group acquired control over Shouzhong Parking and reclassified the interest in Shouzhong Parking from interest in a joint venture to investment in a subsidiary. The 48.13% equity interest in Shouzhong Parking held by the Group before the capital increase was remeasured at fair value and a fair value gain on step acquisition amounted to approximately HK$4,802,000 was recognised at the Step Acquisition Date.

Goodwill arose in the acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively includes amounts in relation to the benefits of revenue growth, future market development and the assembled workforce of Shouzhong Parking. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair value of assets and liabilities have been determined on a provisional basis as the fair value of identifiable assets and liabilities acquired may be adjusted upon the completion of initial accounting year which shall not exceed one year from the Step Acquisition Date. The fair value is being valued by the internal valuation team of the Group.

15 DISPOSAL OF A SUBSIDIARY

On 21 November 2018, the Group entered into the sale and purchase agreement with Shougang Holding (Hong Kong) limited ("Shougang Holding"), the holding company of the Company, to purchase one ordinary share of Fair Union Holdings Limited ("Fair Union"), a wholly-owned subsidiary of the Group, at a consideration of approximately HK$205,997,000. Fair Union holds, directly and indirectly, approximately 35.71% in aggregate of the entire issued share capital of Shougang Century, an associate of the Group at the date of disposal.

The transaction was completed on 9 April 2019, and the Group retained no interest in Shougang Century. This transaction has resulted in the recognition of a loss of approximately HK$124,599,000 in profit or loss for the year ended 31 December 2019.

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 2019 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 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 announcement.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend in the total amount of HK$500 million for the year ended 31 December 2019 (2018: HK$700 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 18 June 2020. Based on 6,925,576,780 ordinary shares of the Company in issue after the share consolidation on the basis of every five (5) ordinary shares of the Company be consolidated into one (1) ordinary share of the Company (the "**Share Consolidation**") becoming effective on 30 March 2020, such a final dividend would amount to HK7.22 cents per consolidated ordinary share (2018: HK2.55 cents per ordinary share before the Share Consolidation).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 22 May 2020 (the "**AGM**"), the final dividend is expected to be paid on or about Wednesday, 22 July 2020. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 18 June 2020 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive) to determine the shareholders' entitlement to attend and vote at the AGM. During such period, no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 18 May 2020 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Since 2018, the Group has shifted its business focus to the car parking assets operation and management business and urban renewal-oriented fund management business, and gradually reduced the volume of iron ore trading business. In 2019, the Group further reduced the scale of its iron ore trading business and transferred the iron ore offtake agreement with Mount Gibson Iron Limited to Newton Resources Limited at the consideration of HK$150 million on 31 May 2019. After then, the Group had ceased its iron ore trading and completed its business restructuring.

During the year, the Group recorded growth in its operating results. Profit attributable to owners of the Company for the year amounted to HK$443 million, representing an increase of 25.5% compared to last year. Having the rapid growth of the number of car parking spaces managed by the Group, the revenue scale from car parking business has expanded rapidly. The urban renewal-oriented fund management business recorded an increase of RMB14,875 million and an accumulated management scale of RMB42,904 million.

During the year, the Group continued to obtain great support from new and existing strategic investors. The Company completed two rounds of financing activities in 2019, and introduced Soteria Financial Investment Company Limited ("**Hopu Investment**"), Red Avenue Investment Group Limited ("**Red Avenue**") and Matrix Partners China V Hong Kong Limited ("**Matrix Partners**") as strategic shareholders in March, raising a total of approximately HK$846 million. The Company also introduced JD Fountain Technology (Hong Kong) Limited ("**JD Fountain**") as strategic shareholder in November, raising approximately HK$450 million. In addition, the Company obtained additional capital contribution from its existing shareholders Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"), ORIX Corporation and its subsidiaries, NWS Holdings Limited ("**NWS Holdings**") and its subsidiaries and Matrix Partners, raising a total of approximately HK$1,745 million. The above have raised a total of HK$3,041 million. With the support from its investors, the Company had a substantial cash reserves, laying a solid foundation for its business development.

PERFORMANCE REVIEW

	For the year ended 31 December	
	2019	2018
	HK$ Million	*HK$ Million*
		(Restated)
Results of the continuing operations		
Profit attributable to the owners of the Company before share of results of associates	**146**	34
Share of results of associates	**296**	275
Results of the discontinued operation	**1**	44
Profit attributable to the owners of the Company	**443**	353

Key Performance Indicators

	For the year ended 31 December **2019** *HK$ Million*	2018 *HK$ Million* (Restated)
Revenue	**396**	177
Gross profit margin	**51.1%**	61.3%
Profit attributable to the owners of the Company		
Results of the continuing operations	**442**	309
Discontinued operation	**1**	44
	443	353
Earnings per share		
Results of the continuing operations	**8.31**	7.67
Discontinued operation	**0.02**	1.10
	8.33	8.77

	For the year ended 31 December **2019** *HK$ Million*	2018 *HK$ Million*
Total assets	**10,997**	9,430
Net assets	**9,823**	8,995
Bank balances and cash	**3,057**	3,034
Wealth management products - current	**527**	106
Sum of loan	**457**	103

The Group's profit attributable to owners of the Company for the year ended 31 December 2019 was HK$443 million as compared to the profit of HK$353 million for last year. The Group's continuing operations recorded revenue of HK$396 million, representing an increase of 124% over last year. The earnings per share for continuing operations and discontinued operation for the year were HK8.31 cents (2018: HK7.67 cents) and HK0.02 cents (2018: HK1.10 cents) respectively.

FINANCIAL REVIEW

Year ended 31 December 2019 compared to the year ended 31 December 2018.

Revenue and Cost of Sales

With the rapid expansion of the car parking assets operation and management business and urban renewal-oriented fund management business, the Group's continuing operations recorded significant increase in revenue and cost of sales.

The Group's continuing operations recorded revenue of HK$396 million for this year, representing an increase of 124% when comparing to HK$177 million for last year. The Group's continuing operations recorded cost of sales of HK$194 million for the year, representing an increase of 183% when comparing to HK$68 million for last year.

Gross profit for the year of continuing operations was HK$202 million, representing an increase of 87% when comparing to HK$108 million for last year. The gross profit margin was 51.1%, representing a decrease of 10.2% when comparing to 61.3% for last year, which was mainly attributable to the stabilization of the gross profit margin as a result of significant growth in the business size of the car parking assets operation and management business.

Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

For the year under review, earnings before interest, tax, depreciation, amortisation, gain on bargain purchase and loss on disposal of a subsidiary for continuing operations of the Group was HK$474 million (2018: HK$347 million).

Finance costs

During the year, finance costs of continuing operations amounted to HK$27.36 million, representing an increase of 380% over the last year. The increase in finance costs was primarily due to two reasons. Firstly, the increase in finance costs was caused by the fact that the Group adopted HKFRS 16 Leases during the year. Secondly, the increase in finance costs was caused by combined bank loan deriving from the Group's capital increase to acquire a joint venture 北京首中停車管理有限公司 (Beijing Shouzhong Car Parking Management Company Limited, "**Shouzhong Parking**").

Share of results of associates

*Shougang Fushan Resources Group Limited ("**Shougang Resources**")*

In this year, we have shared a profit of HK$290 million from Shougang Resources, representing an increase of 4% as compared with the profit of HK$278 million for last year.

*Shougang Concord Century Holdings Ltd. ("**Shougang Century**")*

In this year, we have shared a profit of HK$5 million from Shougang Century, whereas for last year, the share of loss from Shougang Century was HK$3 million.

For the purpose of strategic focus, the Company entered into the sale and purchase agreement with Shougang Holding on 21 November 2018, pursuant to which the Company conditionally agreed to dispose and Shougang Holding conditionally agreed to purchase the 35.71% equity interest in Shougang Century. The disposal was completed on 9 April 2019 and the Group retained no interest in Shougang Century thereafter. As a result of the disposal of the equity interests, the Group recognised a loss of approximately HK$125 million during the year.

Taxation

The subsidiaries of the Group engaged in car parking assets operation and management business and fund management business in mainland China are subject to China enterprise income tax at the tax rate of 25%. Provision for such tax amounting to approximately HK$25 million was made for the year, while provision of approximately HK$10 million was made for last year. Apart from this, the Group had reversed provision for capital gain tax of approximately HK$148 million during the year.

REVIEW OF OPERATIONS

Summary of net profit/(loss) contribution to the Group by operation/entity:

Operation/Entity	Attributable interest	For the year ended 31 December 2019	2018
		HK$ Million	*HK$ Million* (Restated)
Continuing operations			
1. Car parking asset operation and management business	100%	**(43)**	(23)
2. Urban renewal-oriented fund management business	100%	**195**	25
Sub-total		**152**	2
3. Share of results of associates			
Shougang Resources	27.61%	**290**	278
Shougang Century	35.71%	**5**	(3)
Others		**1**	–
Sub-total		**296**	275
4. Others			
Disposal of the equity interest of Shougang Century		**(125)**	–
Australian tax recoverable		**148**	–
Corporate and others		**(29)**	32
Sub-total		**(6)**	32
Continuing operations		**442**	309
Discontinued operation		**1**	44
Profit attributable to owners of the Company		**443**	353

CONTINUING OPERATIONS

Car Parking Assets Operation and Management Business

The Group has signed contracts about dozens of projects in Beijing, Beijing-Tianjin-Hebei area (outside Beijing), Yangtze River Delta region and Greater Bay Area, which greatly expanded the project layout, increased its asset scale and obtained more than 70,000 units parking space. In addition to the Beijing-Tianjin-Hebei area (outside Beijing), the Group continued to enhance cooperation with the government, and has obtained the operating rights of several parking lots as well as the construction and management projects of the parking lots. In the Yangtze River Delta region, we have also been making our footprint in its major economic cities, including the parking building in Shanghai Hongqiao Airport, the long-hour parking building in Shanghai Pudong International Airport and the franchise project of public parking lot of Qinhuai District in Nanjing. In the Greater Bay Area, the Group joined hands with Vanke Service Co., Ltd (a major real estate company) to develop a great number of residential and commercial car parking assets in Guangzhou and Foshan. The business segment recorded a revenue of approximately HK$177 million for the year, representing an increase of 185% compared to last year.

During the year, the Group continued to strengthen its efforts in the research and development of car parking assets, speed up the pace of investment and increase its investments, gradually build up a car parking asset operation with steady cash flow and income. In addition, the Group is committed to providing users with better service experience and creating great asset income for its shareholders through product upgrade, management empowerment and value-added services.

Through studying and analyzing its existing car parking assets, the Group has classified the car parking assets held by it into three major product lines, namely the municipal facilities car parking product segment, commercial car parking product segment and roadside car parking product segment.

As to the municipal facilities car parking product segment, the Group continued to strengthen its leading advantages. In addition to the parking buildings in Beijing Daxing International Airport ("**Daxing Airport**"), Shanghai Hongqiao Airport and Guiyang Longdongbao International Airport, the Group also successfully entered into agreements with Daxing Airport in respect of the operating rights of taxi parking lots in Daxing Airport in June 2019 year, obtained the 15-years operating rights of No.1 parking lot, No.2 parking building, GTC parking building in Terminal 3 and No.5 parking lot in Beijing Capital International Airport through bidding in July 2019, and obtained the one-year operation and management rights of the long-hour parking building in Shanghai Pudong International Airport through bidding in September 2019. The continuous expansion of the aforesaid airport parking business demonstrated the Group's commitment to continue to expand its business presence in the car parking business of large-scale transportation hubs and also signified that the Group had secured market recognition in the airport parking building operation area.

In late September 2019, the highly-anticipated Daxing Airport was put into operation. With its marvelous space design featuring the integration of traditional and modern architecture concepts, comprehensive and intelligent service facilities and convenient transportation network, during the National Day holiday sightseeing visitors outnumbered the passengers, bringing additionally high traffic flow to the parking buildings of the airport, and further enhancing the Company's brand recognition and bringing along significant room for the scenario application of municipal facility parking products.

For the commercial parking product segment, the Group leveraged on the computing platform operated by 京東城市計算平臺 (JD iCity) to jointly develop the S-PARK Online Network Information Center (SONIC) platform which is featured with functions covering parking management, business innovation, facility management and AI + big data, so as to collect information on parking lots, set up information middle office, formulate information standards and establish parking management information system. In addition, with the account system, membership system and bonus points system, we were able to produce accurate profiles of the users and parking lots and empowered parking management with AI + big data. Coupled with the application of the "finance + advertisement + insurance + automotive aftermarket" operation mode, we made innovations to diversify income stream and provided integrated intelligent parking solutions.

For the roadside parking product segment, the Group won the biddings for the roadside parking projects of Daxing District and Yanqing District in Beijing. In addition to the Beijing-Tianjin-Hebei area (outside Beijing), the Group obtained the 30-year operating rights of over 13,000 roadside parking spots in all the major urban areas in Baoding City, Hebei Province.

URBAN RENEWAL-ORIENTED FUND MANAGEMENT BUSINESS

In 2019, urban renewal-oriented fund management business witnessed an exponential growth, and the scale of new fund management business was RMB14.875 billion. The significant increase in fund management scale brought substantial management fee income. The business segment recorded revenue of HK$181 million and net profit of HK$195 million for the whole year of 2019.

As at 31 December 2019, the Group has managed or been responsible for investing into or operating 25 funds in total, with a total management scale of approximately RMB42.904 billion (excluding liquidated withdrawn funds). The investors of the currently managed funds include the National Council for Social Security Fund ("**NSSF**"), Royal Golden Eagle, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial funds, and fund investment institutions of the provincial and municipal governments such as Beijing, Chengdu, Hebei, Jilin, Sichuan and Heilongjiang.

With the meticulous management of the underlying assets of the funds by the team, more investors subscribed the funds managed by the Group. Especially in the first half of 2019, the Group successfully introduced NSSF as the sole limited partner which paid the largest contribution, establishing the fund with scale of RMB6 billion, being the first investment made by NSSF in the field of urban renewal. The NSSF attached importance to the sustainability and stability of the investment and adhered to the principle of "long-term investment, value investment and responsible investment", which is highly compatible with the Group's urban renewal business on income stability, risk level and investment term, and social effect. Introducing the NSSF to the strategic investment of the funds managed by the Group has symbolic significance.

The Group adopts the real estate financial model of "funds + bases + industries" to participate in the development, management, operation, and exit of industrial entities. Controlling the shareholding or investing in the enterprises in the old industrial zone will lead the concentration of high-end industries. Beijing Shoujing Xiangying Enterprise Management Co., Ltd., a company cofounded by the Company's wholly owned subsidiary 京冀天成（北京）基金管理有限公司 (Jingji Tiancheng (Beijing) Fund Management Co., Ltd.*) and a subsidiary of Royal Golden Eagle in October 2019, won the bidding of the land use rights of several parcels of land at the southeast area of 新首鋼高端產業綜合服務區 (New Shougang High-end Industry Comprehensive Service Park, "**Shougang Park**") at the end of 2019 with a planned gross area of approximately 240,000 sq.m., which is aimed to be developed into a quality commercial office complex. The Shouao Industrial Park（首奧產業園區）project jointly launched by the Company and Tishman Speyer (a renowned real estate developer) has commenced construction and is scheduled to be put into operation in May 2021. It is expected to become the first large-scale commercial complex at Shougang Park to serve the 2022 Beijing Winter Olympic Games and the citizen at the surrounding areas.

As the fund manager, the Group also usually serves as the general partner. As per the industry practice of private fund, the general partner shall invest in a minority stake of the funds under its management so as to share its returns on investment and excess returns. As the funds gradually benefit and exit from the invested projects, the Group expects to gain impressive investment return and excess return.

With the steady growth in the number and size of funds under management, the Group expects that in the foreseeable future, the management fee income and return on investment from the provision of private fund management services is going to achieve a continuous and rapid growth.

PERFORMANCE OF ASSOCIATES

Shougang Resources

Exploration and sale of coking coal

Shougang Resources is a 27.61% owned associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coal mines in Shanxi province, the PRC, namely Xingwu Coal Mine, Zhaiyadi Coal Mine and Jinjiazhuang Coal Mine. Shougang Resources sold approximately 0.12 million tonnes of raw coking coal and 2.7 million tonnes of clean coking coal in the current year, with revenue of HK$3.87 billion, an increase of 5% compared with last year. The raw coking coal price per ton was RMB864 (inclusive of value added tax "**VAT**"), while the clean coking coal price per ton was RMB1,396 (inclusive of VAT), up by 10% and down by 4% respectively over last year. The profit attributable to owners of Shougang Resources for the current year was HK$1.14 billion, compared with a profit of HK$1.1 billion for the last year. The profit of the Group's share of Shougang Resources in the current year was HK$290 million, which reflects the stable development of Shougang Resources business when compared with last year's share of profit of HK$278 million.

The strong financial position of Shougang Resources with nearly zero gearing ratio and bank balances of HK$4.8 billion enables it to improve its value when appropriate investment opportunities arise.

Customers are confident of the high-quality products of Shougang Resources which are reputed as panda coal.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

1. Bank Balances, Cash and Loans

The bank balances and cash, loans and gearing ratio of the Group as at 31 December 2019 as compared to 31 December 2018 are summarised below:

	As at 31 December 2019 *HK$ Million*	As at 31 December 2018 *HK$ Million*
Bank balances and cash	**3,057**	3,034
Wealth management products - current	**527**	106
Bank loan	**457**	–
Loans from an associate		
– Financial lease loan	**–**	103
Sum of loan	**457**	103
Equity attributable to the owners of the Company	**9,684**	8,966
Debt equity ratio*	**5%**	1%

* Debt equity ratio = Total interest bearing liabilities/Equity attributable to the owners of the Company

2. Currency Risk, Interest Rate Risk and Other Market Risk

The Company formulates financial risk policies under the directives of the Board, managing financial risk, foreign currency risk, interest rate risk and trading counterparties' credit risk. Derivative financial instruments are mainly used to hedge the business operation risks. We also target to ensure that adequate financial resources are available for business growth.

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

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balance and borrowings. As at 31 December 2019, if interest rates on bank balance and borrowings had been 25 points higher/lower with all other variables held constant, pre-tax profit of the Group would have been HK$7.82 million (2018: HK$7.85 million) higher/lower.

3. Financing Activities

As at 31 December 2019, the Group's balance of term loan financing from bank was HK$457 million, which was the combined loan balance for the purpose of capital contribution for merging and acquiring its joint venture, Shouzhong Parking. The balance was the bank loan conducted for investing in the 20 years of operation rights of the parking building of the new airport in Beijing.

USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES

On 19 September 2018, the Company completed the subscription of a total of 4,903,741,731 new shares by Jingxi Holdings Limited, a wholly-owned subsidiary of Shougang Fund, Rocket Porade Limited, a wholly-owned subsidiary of NWS Holdings and ORIX Asia Capital Limited ("**ORIX Asia**"), with net proceeds of approximately HK$1,219 million (the "**2018 Subscription**"). Out of the net proceeds, (i) approximately HK$100 million was used to set up a fund to invest in Shougang Park; (ii) approximately HK$90 million was for the acquisition and capital increase of Shouzhong Parking to increase our competitiveness in airport parking building business; (iii) approximately HK$140 million used to repay the Group's bank loans; and (iv) approximately HK$680 million used for the capital increase of Shouzhong Investment and replenish general working capital in order to accelerate the expansion of car parking assets operation and management business. The proceeds from the 2018 Subscription has been substantially utilised in 2019 according to the proposed usage as set out in the circular of the Company dated 27 August 2018. The remaining sum of HK$210 million has been used to pay for the equity interest of Beijing West and contribute the shared fund amount of Shougang Park in 2019.

On 9 April 2019, the Company completed the subscription of a total of 3,384,043,134 new shares subscribed by Hopu Investment, Red Avenue and Matrix Partners's designated persons with the net proceeds of approximately HK$850 million. As at 31 December 2019, approximately HK$503 million was used to pay part of the Group's commitment contribution and lease deposits and expenses for its management and operations of car parking assets. As at the date of this announcement, the Company has not utilised the remaining net proceeds and intends to apply the remaining net proceeds as disclosed in the announcement of the Company dated 19 March 2019. The remaining proceeds will be fully applied by 2022.

On 11 December 2019, the Company completed the subscription of 1,500,000,000 new shares by JD Fountain with net proceeds of approximately HK$450 million ("**JD Subscription**"). The Company intends to use (1) approximately 60% of the proceeds to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; (2) approximately 25% of the proceeds to invest in the Group's fund management business; and (3) the remaining 15% of the proceeds as general working capital and to seize business opportunities. As at the date of this announcement, the Company has not utilised any of the proceeds from the JD Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The proceeds will be fully applied by 2022.

On 17 January 2020, the Company completed the subscription of 93,333,333 new shares ("**Shougang Subscription**") by Shougang Holding and the subscription of the convertible bonds ("**CB Subscription**") with an aggregate principal amount of HK$1,231,685,000 by Mountain Tai Peak I Investment Limited (being ORIX Asia's designated person) ("**Mountain Tai Peak**"), Matrix Partners V, L.P. and Matrix Partners V-A, L.P., with total net proceeds of approximately HK$1,256 million. The Company intends to use (1) approximately HK$754 million, or 60% of the net proceeds, to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; (2) approximately HK$314 million, or 25% of the net proceeds, to invest in the Group's fund management business; and (3) approximately HK$188 million, or 15% of the net proceeds, as general working capital and to seize business opportunities. As at the date of this announcement, the Company has not utilised any of the proceeds from the Shougang Subscription and CB Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The proceeds will be fully applied by 2023.

On 21 February 2020, the Company completed the subscription of 1,500,000,000 new shares ("**FTLife Subscription**") by FTLife Insurance Company Limited ("**FTLife Insurance**") (an indirect wholly-owned subsidiary of NWS Holdings) with net proceeds of approximately HK$450 million. The Company intends to use (1) approximately HK$270 million, or 60% of the net proceeds, to invest in the Group's car parking business, part of which will be used for the Group's existing capital injection commitment, rental deposit and construction expenditure, while the remaining balances will be used for the development of new car parking assets, especially in transportation hubs, which the Group hopes will further expand its leading advantage in this segment; (2) approximately HK$110 million, or 25% of the net proceeds, to invest in the Group's fund management business; and (3) approximately HK$70 million, or 15% of the net proceeds, as general working capital and to seize business opportunities. As at the date of this announcement, the Company has not utilised any of the proceeds from the FTLife Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 14 February 2020. The proceeds will be fully applied by 2023.

MATERIAL ACQUISITIONS & DISPOSALS

There was no material acquisitions and disposals by the Group during the year, except the disposal of Shougang Century mentioned above.

EVENTS OCCURRING AFTER THE REPORTING PERIODS

(a) Subscription of new shares – Shougang Holding

On 29 November 2019, the Company entered into a connected subscription agreement with Shougang Holding ("**Connected Subscription Agreement**") pursuant to which Shougang Holding has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 93,333,333 subscription shares at a subscription price of HK$0.3 per subscription share.

On 17 January 2020, all conditions of the Connected Subscription Agreement has been fulfilled and completion of the issuance of new shares has taken place on the same date.

(b) Subscription of new shares – FTLife Insurance

On 14 February 2020, the Company entered into a subscription agreement with FTLife Insurance ("**FTLife Subscription Agreement**") pursuant to which FTLife Insurance has conditionally agreed to subscribe, and the Company has conditionally agreed to allot and issue, an aggregate of 1,500,000,000 subscription shares at the subscription price of HK$0.3 per subscription share.

On 21 February 2020, all conditions of the FTLife Subscription Agreement has been fulfilled and completion of the issuance of new shares has taken place on the same date.

(c) Convertible bonds

On 29 November 2019, the Company has entered into convertible bond subscription agreements ("the **CB Subscription Agreements**") with ORIX Asia, Matrix Partners V, L.P. and Matrix Partners V-A, L.P. (together as the "**CB Subscribers**"). Pursuant to the CB Subscription Agreements, the Company conditionally agreed to issue and the CB Subscribers conditionally agreed to subscribe for, the zero coupon convertible bonds (the "**CB**") in the principal amount of up to HK$1,231,685,000.

On 17 January 2020, all conditions of the CB Subscription Agreements have been fulfilled and completion of the issuance of the CB has taken place on the same date.

Subsequent to the issue of CB and up to the date of this report, the Company has received conversion notice from each of Matrix Partners V, L.P. and Matrix Partners V-A, L.P. in respect of the exercise of the conversion rights attached to the CB in the principal amount of HK$105,693,000 and HK$10,992,000, respectively. As a result of the conversion, the Company allotted and issued 352,310,000 and 36,640,000 conversion shares to Matrix Partners V, L.P. and Matrix Partners V-A, L.P. respectively on 20 January 2020.

Subsequent to the issue of CB and up to the date of this report, the Company issued a mandatory conversion notice to Mountain Tai Peak (being ORIX Asia's designated person under relevant CB Subscription Agreement) to convert the CB in the principal amount of HK$1,115,000,000 and as a result of the conversion, the Company allotted and issued 3,716,666,666 conversion shares to Mountain Tai Peak on 5 February 2020.

(d) Share Consolidation

On 21 February 2020, the Company announced that the Board proposes to implement the Share Consolidation on the basis that every five (5) ordinary shares of the Company be consolidated into one (1) ordinary share of the Company.

Pursuant to an ordinary resolution passed on 26 March 2020, the Share Consolidation was approved by the shareholders of the Company and has become effective on 30 March 2020. Immediately after the Share Consolidation, the total number of issued shares of the Company was adjusted from 34,627,883,902 to 6,925,576,780.

(e) Outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak")

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across Hong Kong and the Mainland China. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

(f) Acquisition of equity interest in Shouzhong Parking

On 27 March 2020, Beijing Shouxing Zhixing Investment Co., Ltd ("**Shouxing Zhixing**"), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with Shougang Fund pursuant to which, subject to the fulfilment or wavier of the conditions precedent set out in the acquisition agreement, Shougang Fund shall sell and Shouxing Zhixing shall acquire 33.136% equity interest in Shouzhong Parking at a consideration of RMB94,410,000 (equivalent to approximately HK$105,000,000).

CAPITAL STRUCTURE

The Company issued 4,884,043,134 new shares (before the effect of the Share Consolidation) during this year.

The issued share capital of the Company was HK$10,125,972,451 (represented by 28,928,933,903 issued ordinary shares, before the effect of the Share Consolidation).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 372 employees as at 31 December 2019.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and hospitalisation scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the Hong Kong employees as part of their staff benefits. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and welfare fund contribution as part of their staff benefits.

PROSPECTS

Over the past year, the Company laid a solid foundation in capital reserve and market expansion. In 2020, faced with the market opportunities and challenges, we will stay committed to pursuing more speedy development of the car parking assets management business and urban renewal-oriented fund management business.

The domestic car parking industry in the PRC currently has serious problems including excessive market dispersion, week technology strengths and low management efficiency as well as lack of leading enterprise in the industry, which represent a huge space for integration and market expansion. Meanwhile, we also notice that the industry is gaining higher market attention and increasing number of investors and large and medium-sized enterprises have invested in the industry. As the first and only listed company in China that focuses on the investment and operation of car parking assets, the Group is committed to becoming a pioneer and promoter of the car parking industry by continuing to consolidate and strengthen its existing advantage as the first-mover and increasing its investments in the car parking industry. The Group will not only focus on the domestic market, but also the overseas. It is expected that the Group will achieve extremely fast development in respect of car parking operation in the future.

While creating long-term and stable profits for the Company, the fund management business also contributed to the growth of the Company's urban renewal and car parking business. A unique development model of "funds + bases + industries" was formed, providing a solid foundation for the Group's robust growth in the future. In addition, in view of the strong fundraising capability and tremendous investors base (international large-scale financial institutions and provincial and municipal government investment fund of the Company), it is expected that the management service income from future equity fund business and net profit contribution from investment exit will continue to rise as the fund size increases.

In order to support the business transformation, the Group has successively introduced new strategic shareholders, namely Beijing Shougang Fund Co., Ltd., China International Marine Containers (Group) Co., Ltd., NWS Holdings and its wholly-owned subsidiary, ORIX Corporation and its wholly-owned subsidiary, Hopu Investment, Red Avenue, Matrix Partners, JD Fountain, Matrix Partners V, L.P. and Matrix Partners V-A, L.P., which form synergy with the business of the Company. Through diversified structure of shareholders, the Group seeks longer-term and broader development for the new principal businesses in the future.

The introduction of strategic shareholders will greatly help the Company's business development, improvement of governance, and optimisation of risk management. The Group will be more proactive in seeking projects to expand the existing businesses, with the aim of supporting the rapid development of the Group.

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 all the code provisions and, where applicable, the recommended best practices in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2019. Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2019 annual report.

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 International Enterprises Company Limited
Zhao Tianyang
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Xu Liang and Mr. Liang Hengyi (Managing Director) as Executive Directors; Dr. Li Yinhui, Mr. Liu Jingwei, Mr. Ho Gilbert Chi Hang and Mr. Li Hao as Non-executive Directors; Dr. Wang Xin, Mr. Choi Fan Keung Vic, Mr. Deng Yougao, Ms. Zhang Quanling and Dr. Qiao Yongyuan as Independent Non-executive Directors.