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首程控股有限公司
SHOUCHENG HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group was HK\$706 million, up 78% from last year, revenue from carpark operation business has increased by 172%.
- Profit attributable to owners of the Company was HK\$659 million, up 49% from last year, the carpark operation business recorded profit for the year.
- Basic earnings per share (after the effect of the share consolidation) of continuing operations for the year was HK9.62 cents resulting an increase of 15.8% as compared to last year.
- Diluted earnings per share (after the effect of the share consolidation) of continuing operations for the year was HK9.57 cents resulting an increase of 15.2% as compared to last year.

The board has declared a final dividend in the total amount of HK\$400 million for the year ended 31 December 2020 (2019: HK\$500 million).

The Board had declared an interim dividend of HK\$300 million, a total of HK\$700 million was declared for the year.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations			
Revenue	4	705,854	396,091
Cost of sales		(531,460)	(193,695)
		<hr/>	<hr/>
Gross profit		174,394	202,396
Other income		138,641	92,690
Other gains, net		822	21,873
Provision for impairment loss for trade receivables		(1,071)	(400)
Changes in fair value of commodity contracts		–	(3,618)
Loss on disposal of a subsidiary		–	(124,599)
Gain on bargain purchase		–	86,155
Administrative expenses		(250,972)	(230,774)
		<hr/>	<hr/>
Operating profit		61,814	43,723
Finance costs		(77,168)	(27,358)
Share of results of associates		343,320	295,502
Share of results of joint ventures		344,069	89
		<hr/>	<hr/>
Profit before income tax		672,035	311,956
Income tax (expense)/credit	5	(36,565)	129,205
		<hr/>	<hr/>
Profit from continuing operations		635,470	441,161
Profit from discontinued operation (attributable to equity holders of the Company)	13	–	904
		<hr/>	<hr/>
Profit for the year		635,470	442,065
		<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) is attributable to:			
Owners of the Company		658,613	443,003
Non-controlling interests		(23,143)	(938)
		<hr/>	<hr/>
		635,470	442,065
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
Other comprehensive income/(loss)			
Items that have been/may be subsequently reclassified to profit or loss:			
Share of exchange differences of associates and joint ventures arising on translation of foreign operations		154,656	(70,072)
Reclassification of exchange reserve upon disposal of a subsidiary		–	(96,563)
Exchange differences arising on translation of foreign operations		125,339	(55,264)
Item that will not be reclassified to profit or loss:			
Share of fair value changes on investment in equity instruments designated at fair value through other comprehensive income of an associate		(402)	96,905
Other comprehensive income/(loss) for the year		279,593	(124,994)
Total comprehensive income for the year		915,063	317,071
Total comprehensive income/(loss) attributable to:			
Owners of the Company		919,766	322,174
Non-controlling interests		(4,703)	(5,103)
		915,063	317,071
Total comprehensive income attributable to owners of the Company:			
Continuing operations		919,766	321,270
Discontinued operation		–	904
		919,766	322,174
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share (<i>HK cents</i>)	6	9.62	8.31*
Diluted earnings per share (<i>HK cents</i>)	6	9.57	8.31*
Earnings per share for profit attributable to ordinary equity holders of the Company:			
Basic earnings per share (<i>HK cents</i>)	6	9.62	8.33*
Diluted earnings per share (<i>HK cents</i>)	6	9.57	8.33*

* Adjusted for the effect of share consolidation on 30 March 2020.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		39,748	17,234
Right-of-use assets		1,753,170	1,087,452
Contract assets in respect of service concession arrangements		88,274	-
Investment properties		158,521	148,856
Investments in associates	7	5,269,687	5,034,394
Investments in joint ventures		656,143	269,471
Financial assets at fair value through profit or loss – non-current		616,239	238,569
Financial assets at amortised cost		93,671	-
Prepayments and deposits		296,736	129,671
Deferred income tax assets		16	3,076
Other non-current assets		338,970	258,756
Total non-current assets		9,311,175	7,187,479
Current assets			
Trade receivables	8	190,674	99,294
Prepayments, deposits and other receivables		333,564	103,079
Financial assets at fair value through profit or loss – current		514,796	527,194
Restricted bank deposits		36,890	22,763
Bank balances and cash		3,738,533	3,057,215
Total current assets		4,814,457	3,809,545
Total assets		14,125,632	10,997,024
EQUITY			
Capital and reserves			
Share capital	11	12,127,547	10,125,972
Reserves		(355,257)	(441,667)
Capital and reserves attributable to owners of the Company		11,772,290	9,684,305
Non-controlling interests		147,008	138,319
Total equity		11,919,298	9,822,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings – non-current		476,832	450,957
Lease liabilities – non-current		1,011,584	397,411
Deferred income tax liabilities		18,063	36,070
Total non-current liabilities		1,506,479	884,438
Current liabilities			
Trade payables	9	204,622	22,324
Other payables, provision and accrued liabilities		216,404	145,005
Contract liabilities		89,070	9,611
Tax payable		60,831	33,959
Borrowings – current		6,100	5,710
Lease liabilities – current		122,828	73,353
Total current liabilities		699,855	289,962
Total liabilities		2,206,334	1,174,400
Total equity and liabilities		14,125,632	10,997,024

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital HK\$'000	Equity component of convertible bonds HK\$'000	Capital contribution reserve HK\$'000	Exchange reserve HK\$'000	Security investment reserve HK\$'000	Accumulated losses HK\$'000	Other reserve HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2019	8,830,429	-	4,848,033	63,559	(671,071)	(4,064,988)	(39,705)	8,966,257	29,199	8,995,456
Comprehensive income										
Profit for the year	-	-	-	-	-	443,003	-	443,003	(938)	442,065
Share of other comprehensive (loss)/income of associates and joint ventures	-	-	-	(70,072)	96,905	-	-	26,833	-	26,833
Reclassification of exchange reserve upon disposal of a subsidiary	-	-	-	(96,563)	-	-	-	(96,563)	-	(96,563)
Exchange differences arising on translation of foreign operations	-	-	-	(51,099)	-	-	-	(51,099)	(4,165)	(55,264)
Total comprehensive (loss)/income for the year	-	-	-	(217,734)	96,905	443,003	-	322,174	(5,103)	317,071
Ordinary shares issued, net of transaction costs	1,295,543	-	-	-	-	-	-	1,295,543	-	1,295,543
Acquisitions of subsidiaries	-	-	-	-	-	(899,669)	-	(899,669)	118,814	118,814
Dividends	-	-	-	-	-	(31)	31	-	(4,591)	(904,260)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	10,125,972	-	4,848,033	(154,175)	(574,166)	(4,521,685)	(39,674)	9,684,305	138,319	9,822,624

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	Share capital HK\$ '000	Equity component of convertible bonds HK\$ '000	Capital contribution reserve HK\$ '000	Exchange reserve HK\$ '000	Security investment reserve HK\$ '000	Accumulated losses HK\$ '000	Other reserve HK\$ '000	Total HK\$ '000	Non-controlling interests HK\$ '000	Total HK\$ '000
Balance at 1 January 2020		10,125,972	-	4,848,033	(154,175)	(574,166)	(4,521,685)	(39,674)	9,684,305	138,319	9,822,624
Comprehensive income/(loss)											
Profit/(loss) for the year		-	-	-	-	-	658,613	-	658,613	(23,143)	635,470
Share of other comprehensive (loss)/income of associates and joint ventures		-	-	-	154,656	(402)	-	-	154,254	-	154,254
Exchange differences arising on translation of foreign operations		-	-	-	106,899	-	-	-	106,899	18,440	125,339
Total comprehensive income/(loss) for the year		-	-	-	261,555	(402)	658,613	-	919,766	(4,703)	915,063
Ordinary shares issued, net of transaction costs	11	477,254	-	-	-	-	-	-	477,254	-	477,254
Issuance of convertible bonds, net of transaction costs	10	-	125,279	-	-	-	-	-	125,279	-	125,279
Conversion of convertible bonds, net of transaction costs	10	1,524,321	(125,279)	-	-	-	-	-	1,399,042	-	1,399,042
Capital injections from non-controlling interests of subsidiaries	14	-	-	-	-	-	-	-	-	85,210	85,210
Step acquisition in a subsidiary	14	-	-	-	-	-	-	(33,182)	(33,182)	(71,818)	(105,000)
Dividends	12	-	-	-	-	-	(800,174)	-	(800,174)	-	(800,174)
Transfer to statutory reserve	(i)	-	-	-	-	-	(12,517)	12,517	-	-	-
At 31 December 2020		12,127,547	-	4,848,033	107,380	(574,568)	(4,675,763)	(60,339)	11,772,290	147,008	11,919,298

Note (i):

The PRC laws and regulations require companies registered in the People's Republic of China (the "PRC", for the purpose of this report shall exclude Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macao Special Administrative Region of the PRC and Taiwan, China) to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder.

All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of net profits to statutory reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory reserves shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash flows from operating activities			
Net cash generated from operations		92,191	256,096
Interest expense		–	(118)
Income tax paid		(29,429)	(8,843)
		<hr/>	<hr/>
Net cash generated from operating activities		62,762	247,135
Cash flows from investing activities			
Advance to associates		–	(78)
Repayment from associates		–	241
Dividends received from associates		237,162	248,852
Interest received		93,422	90,915
Repayment from related companies		–	19
Advance to related companies		(3,299)	(6,689)
Placement of restricted bank deposits		(16,163)	(23,143)
Withdrawal of restricted bank deposits		2,036	2,036
Purchase of property, plant and equipment		(27,651)	(11,778)
Capital injections into associates and joint ventures		(17,483)	(274,513)
Addition of financial assets at fair value through profit or loss		(338,181)	(1,092,119)
Proceeds from disposal of financial assets at fair value through profit or loss		–	672,904
Placement for financial assets at amortised cost		(93,671)	–
Purchase of other non-current assets		(60,923)	(83,986)
Payment for acquisitions of subsidiaries, net of cash acquired		–	(214,825)
Proceeds from disposal of a subsidiary, net of cash disposed		–	205,961
Proceeds from disposal of commodity contracts		–	150,000
Prepayment for leases		–	(122,694)
Prepayments for construction of property, plant and equipment		(70,024)	–
		<hr/>	<hr/>
Net cash used in investing activities		(294,775)	(458,897)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cash flows from financing activities			
Repayment of borrowings		(462,798)	(102,904)
Proceeds from borrowings		443,498	–
Net proceeds from issuance of convertible bonds	<i>10</i>	1,521,829	–
Interest paid		–	(16,959)
Net proceeds from issue of ordinary shares	<i>11</i>	477,254	1,295,543
Repayment of lease liabilities		(272,876)	(18,971)
Step acquisition in a subsidiary	<i>14</i>	(105,000)	–
Capital injection from non-controlling interests	<i>14</i>	85,210	–
Dividends paid to the Company's shareholders	<i>12</i>	(800,174)	(899,669)
Dividends paid to non-controlling interests in subsidiaries		–	(4,591)
		<hr/>	<hr/>
Net cash generated from financing activities		886,943	252,449
		<hr/>	<hr/>
Net increase in cash and cash equivalents		654,930	40,687
Cash and cash equivalents at beginning of the year		3,057,215	3,034,026
Effect of foreign exchange rate changes		26,388	(17,498)
		<hr/>	<hr/>
Cash and cash equivalents at end of year		<u>3,738,533</u>	<u>3,057,215</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. 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 of the laws of Hong Kong, the “**Hong Kong Companies Ordinance**”). 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 2019 and 2020 included in this preliminary announcement of annual results 2020 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 2019 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 2020 in due course.

The Company’s auditor has 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.

2. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements.

Taxes on income for the year are accrued using the tax rates that would be applicable to expected total annual earnings.

2.1 New and amended standards adopted by the Group

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

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

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

3. DISCONTINUED OPERATION

Please refer to Note 13 for the details of the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in management and operations of car parking assets business, management of private funds that are oriented towards urban redevelopment business and investment holding. 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 13 for the details of discontinued operation). Revenue from continuing operations recognised during the year are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Revenue under HKFRS 15:		
Carpark income	337,250	150,791
Revenue from service concession arrangements	86,009	–
Fund management services income	207,877	185,532
Others	12,141	38,206
	<u>643,277</u>	<u>374,529</u>
Revenue under other accounting standards:		
Leasing income	57,743	26,227
Investment gain/(loss) on unlisted equity securities	4,834	(4,665)
	<u>62,577</u>	<u>21,562</u>
Total revenue	<u>705,854</u>	<u>396,091</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Timing of revenue recognition		
– Overtime	<u>643,277</u>	<u>374,529</u>

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, being the Executive Directors of the Company, that are used to make strategic decisions and resources allocation. The Group's businesses are managed according to the type of products and services they provide. 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

Management and operations of car parking assets ("Car parking assets operations and management")	– management and operations of car parking assets
Management of private funds that are oriented towards urban redevelopment ("Fund management")	– management of private funds

Discontinued operation

Trading business	– trading of iron ore
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2020

	Continuing operations				Discontinued operation	
	Car parking assets operations and management HK\$'000	Fund management HK\$'000	Others HK\$'000	Sub-total HK\$'000	Trading business HK\$'000	Total HK\$'000
Revenue from external customers	481,002	212,711	12,141	705,854	-	705,854
Segment profit/(losses)	142,677	185,046	(8,652)	319,071	-	319,071
Segment profit/(losses) include:						
Share of results of joint ventures	344,069	-	-	344,069	-	344,069
Share of results of associates	-	(4,391)	-	(4,391)	-	(4,391)
Other income and other losses, net						75,065
Central administration costs						(67,056)
Finance cost						(2,756)
Share of results of associates						347,711
Profit before income tax						<u>672,035</u>

For the year ended 31 December 2019

	Continuing operations				Discontinued operation	
	Car parking assets operations and management HK\$'000	Fund management HK\$'000	Others HK\$'000	Sub-total HK\$'000	Trading business HK\$'000	Total HK\$'000
Revenue from external customers	177,018	180,867	38,206	396,091	137,075	533,166
Segment profit/(losses)	(43,124)	195,383	(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 joint ventures	89	-	-	89	-	89
Share of results of associates	-	810	-	810	-	810
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						<u>312,860</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit in 2020 (2019: 16.5%).

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no Hong Kong assessable profit for both years ended 31 December 2020 and 2019.

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 2020 (2019: 25%).

Provision for China enterprise income tax amounted to approximately HK\$52,701,000 is made for the year ended 31 December 2020 (year ended 31 December 2019: HK\$25,018,000)

Australian capital gain tax

During the year ended 31 December 2020, no provision for Australian capital gain tax was made.

During the year ended 31 December 2019, the Group reversed a provision of Australian capital gain tax amounted to HK\$148,355,000 and recognised it as an income tax credit as it was assessed that the possibility of the relevant tax being payable to the tax authority become remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2020 <i>HK Cents</i>	2019 <i>HK Cents</i>
Basic earnings per share attributable to the ordinary equity holders of the Company		
From continuing operations	9.62	8.31*
From discontinued operation	—	0.02*
	<hr/>	<hr/>
Total basic earnings per share attributable to the ordinary equity holders of the Company	9.62	8.33*
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(b) Diluted earnings per share

The diluted earnings per share for the year is calculated by dividing the adjusted profit attributable to the ordinary equity holders of the Company which have taking into account the after income tax effect interest and other financing costs associated with dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares in issue which have taking into account the additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2020 <i>HK Cents</i>	2019 <i>HK Cents</i>
Diluted earnings per share attributable to the ordinary equity holders of the Company		
From continuing operations	9.57	8.31*
From discontinued operation	—	0.02*
	<hr/>	<hr/>
Total diluted earnings per share attributable to the ordinary equity holders of the Company	9.57	8.33*
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

6. EARNINGS PER SHARE (CONTINUED)

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	658,613	442,099
From discontinued operation	–	904
	<u>658,613</u>	<u>443,003</u>
Total profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>658,613</u>	<u>443,003</u>
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:	658,613	442,099
Add: interest savings on convertible bonds	2,492	–
	<u>661,105</u>	<u>442,099</u>
Used in calculating diluted earnings per shares	661,105	442,099
Loss from discontinued operation	–	904
	<u>661,105</u>	<u>443,003</u>
Total profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	<u>661,105</u>	<u>443,003</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. EARNINGS PER SHARE (CONTINUED)

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

	2020 ‘000	2019 ‘000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	6,848,465	5,321,329
Adjustment for calculation of diluted earnings per share in relation to convertible bonds	<u>56,214</u>	<u>–</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u><u>6,904,679</u></u>	<u><u>5,321,329</u></u>

(e) Effects of convertible bonds

Convertible bonds issued and converted during the period are considered to potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic earnings per share. Details relating to the convertible bonds are set out in Note 10.

* The weighted average number of ordinary shares for basic earnings per share has been restated since the share consolidation has been completed on 30 March 2020 as disclosed in Note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

7. INVESTMENTS IN ASSOCIATES

Set out below is the significant associate of the Group as at 31 December 2020 which, in the opinion of the directors, are material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The below significant associate is 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		Carrying amount		Principal activities
				2020	2019	2020	2019	
						HK\$'000	HK\$'000	
Shougang Fushan Resources Group Limited ("Shougang Resources") (Note)	Hong Kong	The PRC	Equity method	28.98%	27.61%	5,106,025	4,877,876	Coking coal mining, production and sale of coking coal products and side products

Note: On 28 September 2020, Shougang Resources announced that it has completed a share buy-back transaction by repurchasing a total of 250,000,000 shares at a total consideration of approximately HK\$500,000,000. Such repurchased shares were subsequently cancelled during the year. As a result of the share buy-back, the Group's interest in Shougang Resources increased from 27.61% to 28.98%. A gain on deemed acquisition of interest in an associate of HK\$71,194,000 was recognized and included as part of the share of results of associates in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	192,897	101,917
Less: Provision for impairment losses	<u>(2,223)</u>	<u>(2,623)</u>
Trade receivables – net	<u>190,674</u>	<u>99,294</u>

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2020 (2019: 30 to 90 days). The following is an ageing analysis of trade receivables net of provision for impairment losses based on the invoice date at the end of the reporting period, which were similar to the respective revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	117,818	54,584
61 – 90 days	34,599	20,201
91 – 180 days	<u>38,257</u>	<u>24,509</u>
	<u>190,674</u>	<u>99,294</u>

9. TRADE PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	66,410	9,121
91 – 180 days	29,947	3,004
181 – 365 days	36,856	3,603
Over 365 days	<u>71,409</u>	<u>6,596</u>
	<u>204,622</u>	<u>22,324</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. CONVERTIBLE BONDS

(a) Issue and conversion of HK\$1.2 billion convertible bonds (November 2019)

On 29 November 2019, the Company has entered into convertible bond subscription agreements (“**the CB Subscription Agreement(s)**”) with ORIX Asia Capital Limited (“**ORIX Asia**”), Matrix Partners China V, L.P. (“**Matrix Partners V**”) and Matrix Partners China V-A, L.P. (“**Matrix Partners V-A**”) (together as the “**CB Subscribers**”), pursuant to which, the Company conditionally agreed to issue and the CB Subscribers conditionally agreed to subscribe for, the zero-coupon convertible bonds (the “**Convertible Bonds**”) in the principal amount of 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 Convertible Bonds took place on the same date.

Pursuant to the CB Subscription Agreements, the Convertible Bonds are:

- (a) convertible at the option of the CB Subscribers into ordinary shares of the Company at HK\$0.30 (subject to adjustment and before the effect of Share Consolidation) at any time on or after the issuance date and up to the second anniversary of the issuance date (the “**Maturity Date**”);
- (b) mandatorily converted if the closing prices of the ordinary shares of the Company as quoted on the Hong Kong Stock Exchange in at least 10 trading days out of any 20 consecutive trading days are higher than or equity to 115% of the prevailing conversion price; and
- (c) redeemed at their principal amount on the Maturity Date, unless they were previously redeemed, converted or cancelled.

The proceeds from the issuance of Convertible Bonds of HK\$1,231,685,000 have been split into liability and equity components on the issuance date. On the issuance date, the fair value of the liability component of the Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bonds with consideration of the Group’s own non-performance risk. Subsequently, it is measured at amortised cost basis until it is extinguished on conversion or redemption. The remainder of the proceeds are allocated to the equity component of the Convertible Bonds. Transaction cost of HK\$2,859,000 are apportioned between liability and equity components of the Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.

The fair value of the liability and equity components are determined based on the valuations performed by Flagship Appraisals and Consulting Limited, an independent external professional valuer, using Black-Scholes model with Binomial Tree method.

The liability and equity components recorded on the issuance date were HK\$1,106,657,000 and HK\$122,169,000 respectively.

During the year, interest of HK\$2,070,000 was accrued in the liability component of the Convertible Bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. CONVERTIBLE BONDS (CONTINUED)

(a) Issue and conversion of HK\$1.2 billion convertible bonds (November 2019) (continued)

On 17 January 2020, the Company 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 Convertible Bonds in the principal amount of HK\$105,693,000 and HK\$10,992,000, respectively. As a result of the conversions, the Company allotted and issued 352,310,000 and 36,640,000 conversion shares (before the effect of share consolidation) to Matrix Partners V, L.P. and Matrix Partners V-A, L.P. respectively on 20 January 2020.

On 4 February 2020, the Company issued a mandatory conversion notice to Mountain Tai Peak I Investment Limited (“**Mountain Tai Peak**”) (being ORIX Asia’s designated person under relevant CB Subscription Agreement) to convert the Convertible Bond 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 (before the effect of share consolidation) to Mountain Tai Peak on 5 February 2020.

As a result of the conversions completed on 20 January 2020 and 5 February 2020, liability and equity components of HK\$1,108,727,000 and HK\$122,169,000 were transferred to ordinary shares.

(b) Issue and conversion of HK\$300 million convertible bonds (July 2020)

On 27 July 2020, the Company has entered into a subscription agreement (the “**Poly Platinum Subscription Agreement**”) with Poly Platinum Enterprises Limited (“**Poly Platinum**”). Pursuant to the Poly Platinum Subscription Agreement, the Company conditionally agreed to issue and Poly Platinum conditionally agreed to subscribe for, the convertible bonds with an interest of 1% per annum (the “**Poly Platinum Convertible Bonds**”) in the principal amount of HK\$300,000,000. On 10 August 2020, all conditions of the Poly Platinum Subscription Agreement have been fulfilled and completion of the issuance of the Poly Platinum Convertible Bonds has taken place on the same date.

Pursuant to the Poly Platinum Subscription Agreement, the Poly Platinum Convertible Bonds are:

- (a) Convertible at the option of Poly Platinum into ordinary shares of the Company at HK\$1.93 (subject to adjustment) at any time on or after the issuance date and up to the third anniversary of the issuance date (the “**Maturity Date**”);
- (b) Mandatorily converted by at least 50% of the aggregate outstanding principal amount of the Poly Platinum Convertible Bonds if the closing prices of the ordinary shares of the Company as quoted on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in at least 10 trading days out of any 20 consecutive trading days are higher than or equity to 115% of the prevailing conversion price, and the average trading volume of the underlying shares during the corresponding are no less than 10,000,000 shares; or
- (c) Redeemed at an aggregate price of (a) 103% of the outstanding principal amount on the Maturity Date; and (b) all accrued and unpaid interest thereon from the issue date of the Poly Platinum Convertible Bonds up to the Maturity Date and any unpaid default interests (if any) accrued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

10. CONVERTIBLE BONDS (CONTINUED)

(b) Issue and conversion of HK\$300 million convertible bonds (July 2020) (continued)

The proceeds from the issuance of Poly Platinum Convertible Bonds of HK\$300,000,000 have been split into liability and equity components on the issuance date. On the issuance date, the fair value of the liability component of the Poly Platinum Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bonds with consideration of the Group's own non-performance risk. Subsequently, it is measured at amortised cost basis until it is extinguished on conversion or redemption. The remainder of the proceeds are allocated to the equity component of the Poly Platinum Convertible Bonds. Transaction cost of HK\$5,300,000 are apportioned between liability and equity components of the Poly Platinum Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.

The fair value of the liability and equity components are determined based on the valuations performed by Flagship Appraisals and Consulting Limited, an independent external professional valuer, using Black-Scholes model with Binomial Tree method.

The liability and equity components recorded on the issuance date were HK\$291,590,000 and HK\$3,110,000 respectively.

During the period, interest of HK\$422,000 was accrued in the liability component of the Convertible Bonds.

On 7 September 2020, the Company received conversion notice from Poly Platinum in respect of the exercise of the conversion rights attached to the Poly Platinum Convertible Bonds in the principal amount of HK\$200,000,000. As a result of the conversions, the Company allotted and issued 103,626,943 Poly Platinum Conversion Shares to Poly Platinum on 9 September 2020.

On 5 October 2020, the Company received conversion notice from Poly Platinum in respect of the exercise of the conversion rights attached to the Poly Platinum Convertible Bonds in the remaining principal amount of HK\$100,000,000 and as a result of the conversion, the Company allotted and issued 51,813,471 Poly Platinum Conversion Shares to Poly Platinum on 9 October 2020.

As a result of the conversions completed on 9 September 2020 and 9 October 2020, liability and equity components of HK\$292,012,000 and HK\$3,110,000 were transferred to ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares issued and fully paid:		
At 1 January 2019	24,044,891	8,830,429
Issue of new shares on 9 April 2019	3,384,043	846,011
Issue of new shares on 11 December 2019	1,500,000	450,000
Transaction costs attributable to issue of new shares	–	(468)
	<hr/>	<hr/>
At 31 December 2019	28,928,934	10,125,972
Issue of new shares on 17 January 2020	93,333	28,000
Conversion of Convertible Bonds on 20 January 2020	388,950	116,414
Conversion of Convertible Bonds on 5 February 2020	3,716,667	1,114,482
Issue of new shares on 21 February 2020	1,500,000	450,000
Share consolidation on 30 March 2020 (Note)	(27,702,307)	–
Conversion of Convertible Bonds on 9 September 2020	103,627	196,677
Conversion of Convertible Bonds on 9 October 2020	51,813	98,445
Transaction costs attributable to issue of new shares and conversion of Convertible Bonds	–	(2,443)
	<hr/>	<hr/>
At 31 December 2020	<u>7,081,017</u>	<u>12,127,547</u>

Note: On 30 March 2020, the Company completed a share consolidation on the basis that every five ordinary shares be consolidated into one ordinary share of the Company.

12. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Final dividend for the year ended 31 December 2019 of HK7.22 cents (2018: HK2.55 cents) per fully paid share	500,027	699,438
Interim dividend for the year ended 31 December 2020 of HK4.27 cents (2019: HK0.73 cents) per fully paid share	300,147	200,231
	<hr/>	<hr/>
	<u>800,174</u>	<u>899,669</u>

The Board has declared an interim dividend in the total amount of HK\$300 million (equivalent to HK4.27 cents per share, based on the number of issued shares on 17 September 2020, i.e 7,029,203,723 shares) for the six months ended 30 June 2020 (2019: HK\$200 million).

The Board has resolved to recommend a final dividend in the total amount of HK\$400 million for the year ended 31 December 2020 (2019: HK\$500 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 15 July 2021. Based on 7,291,017,194 ordinary shares of the Company in issue, such a final dividend would amount to HK5.49 cents per ordinary share (2019: HK7.22 cents per ordinary share). The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2020 has not been recognised as a liability as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. DISCONTINUED OPERATION

Upon completion of the sales of the First Commodity Contracts, 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 years ended 31 December 2020 and 2019.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	–	137,075
Cost of sales	–	(129,083)
Gross profit	–	7,992
Other losses, net	–	(3,275)
Reversal of provision of impairment loss of financial assets	–	603
Administrative expenses	–	(4,416)
Profit before income tax	–	904
Income tax expense	–	–
Profit and total comprehensive income for the year from discontinued operation	–	904
Net cash (outflow)/inflow from operating activities	(8,331)	56,710
Net cash inflow from investing activities	–	2,185
Net cash outflow from financing activities	–	(126,839)
Net decrease in cash and cash equivalents	(8,331)	(67,944)

14. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Step acquisition in subsidiary

On 27 March 2020, the Group acquired an additional 33.136% equity interest of Beijing Shouzhong Car Parking Management Co., Ltd. (北京首中停車管理有限公司, “**Shouzhong Parking**”) at a consideration of RMB94,410,000 (equivalent to approximately HK\$105,000,000). Upon the completion of this acquisition, the Company’s shareholding in Shouzhong Parking increased from 66.046% to 99.182%. The Group recognised a decrease in non-controlling interest of approximately HK\$71,818,000 and decrease in equity attributable to owners of the Company of approximately HK\$33,182,000.

(b) Capital injections from non-controlling interests

During the year ended 31 December 2020, the non-controlling interests of certain non-wholly owned subsidiaries and the Group have completed several rounds of capital injections into those subsidiaries without changing the equity interests of the subsidiaries held by the non-controlling interests and the Group. As a result of the capital injections, the balance of non-controlling interests increased by HK\$85,210,000.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 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\$400 million for the year ended 31 December 2020 (2019: HK\$500 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 15 July 2021. Based on 7,291,017,194 ordinary shares of the Company in issue, such a final dividend would amount to HK5.49 cents per ordinary share (2019: HK7.22 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 28 May 2021 (the "AGM"), the final dividend is expected to be paid on or about Tuesday, 3 August 2021. 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, 15 July 2021 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (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, 24 May 2021 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

In May 2020, the Company has officially changed its name to Shoucheng Holdings Limited. “Shoucheng” inherits the spirit of daring to be the first in the world, and implies the earnest belief and common vision of “pursuing to be a front-runner in the industry and creating a promising prospect together”. The new name reflects the Group’s current strategic and business development direction, helps shaping the new brand image and corporate identity, and conveys to the market that the Board, management and staff wish for a bright vision of the Company’s great future.

In 2020, the Company focused on the development of management and operations of car parking assets business and management of private funds that are oriented towards urban redevelopment business. With strong support from the shareholders of the Company (the “**Shareholders**”), the collective efforts from teams have strived to resist the impact of Coronavirus Disease 2019 epidemic (the “**epidemic**”) on the Group’s business. This resulted in the revenue and profit scale of the principal businesses of the Group to continue growing rapidly, the Group’s continuing operations recorded revenue of HK\$706 million, representing an increase of 78% compared to last year, the profit attributable to shareholders of the Group for the year was HK\$659 million, representing an increase of 49% compared to a profit of HK\$443 million recorded for the last year.

Despite challenges imposed by the epidemic, the car parking business of the Group has made sustain progress in business expansion, multi-storey parking lots have been constructed in a number of cities and have begun to be replicated in multiple locations. The car parking business now contributes the largest source of revenue to the Group with its revenue maintaining a rapid growth trend, and a year-on-year increase of over 170%. The new product line which contributed considerable profit to the Group, has resulted in the realization of annual profit attributable to the car parking business for the very first time.

In the area of urban redevelopment business, the Group’s accumulated capabilities in the field of asset management have been transformed into its own competitive advantages and become more pronounced over time. The scale of the fund management business has expanded steadily with urban redevelopment projects progressing smoothly at different stages of construction and promotion, revenue and profit scale of the urban redevelopment business are also maintaining steady growth.

The Group's basic earnings per share (after the effect of the share consolidation) of continuing operations for the year were HK9.62 cents, representing an increase of 15.8% compared to HK8.31 cents in the last year. The diluted earnings per share (after the effect of the share consolidation) of continuing operations for the year were HK9.57 cents, representing an increase of 15.2% compared to HK8.31 cents in last year.

During the year, the Group continued to receive tremendous support from its strategic investors. The Company has received additional capital contribution from its existing shareholders Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"), ORIX Corporation and its subsidiaries ("**Orix**"), NWS Holdings Limited ("**NWS Holdings**") and its subsidiaries and Matrix Partners China V, L.P. ("**Matrix Partners V**"), raising a total of approximately HK\$1,706 million. Completion under the convertible bond subscription agreement entered into between the Company and Greater Bay Area Common Home Development Fund have also taken place in August 2020, raising approximately HK\$295 million for the Group.

Furthermore, in February 2021, the Group has completed the placing and the subscription of 210,000,000 placing shares to not less than 6 placees, raising approximately HK\$419 million for the Group. The abovementioned fundraising exercises have raised an aggregate of approximately HK\$2,420 million of proceeds for the Group. With the support from the investors, the Group had maintained a reliable pool of cash reserves, paving solid foundation for its future business development.

KEY PERFORMANCES AND FINANCIAL INDICATORS REVIEW

	For the year ended 31 December	
	2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Revenue	706	396
Earnings before Interest, Tax, Depreciation and Amortisation of the continuing operations (EBITDA)	949	474
Profit attributable to the owners of the Company		
Results of the continuing operations	659	442
Results of the discontinued operation	–	1
	<u>659</u>	<u>443</u>
Basic earnings per share		
Results of the continuing operations	9.62	8.31*
Results of the discontinued operation	–	0.02*
	<u>9.62</u>	<u>8.33*</u>
Diluted earnings per share		
Results of the continuing operations	9.57	8.31*
Results of the discontinued operation	–	0.02*
	<u>9.57</u>	<u>8.33*</u>

* Adjusted pursuant to the share consolidation in March 2020

	As at 31 December	
	2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Total assets	14,126	10,997
Net assets	11,919	9,823
Bank balances and cash	3,739	3,057
Wealth management products and fixed income financial assets	887	527
Total borrowings	483	457

FINANCIAL REVIEW

The year ended 31 December 2020 compared to the year ended 31 December 2019.

Revenue and Cost of Sales

With the rapid expansion of business scale, the Group's continuing operations recorded significant increase in revenue and cost of sales.

The Group's continuing operations recorded revenue of HK\$706 million for the year, representing an increase of 78% compared to HK\$396 million for the last year. The Group's continuing operations recorded cost of sales of HK\$531 million for this year, representing an increase of 174% when comparing to HK\$194 million for last year. Gross profit ratio for the year of continuing operations was 24.8%, representing a decrease of 26.3% compared to 51.1% for the last year. The decline in gross profit was mainly attributable to the fundamental change to cost structure as result of the significant growth in the business size of the car parking assets operations and management business of the Group; and on the other hand, the impact on certain parking projects such as those situated at airport(s), which were adversely affected by the epidemic.

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

During the year, the EBITDA for continuing operations of the Group amount to HK\$947 million, representing an increase of 100% as compared with HK\$474 million for last year after further deduction of non-recurring profit and loss items. The EBITDA of the management and operations of car parking assets business was HK\$416 million, representing an increase of 1,564% as compared to the last year.

Finance costs

During the year, finance costs of continuing operations of the Group amounted to HK\$77.17 million, representing an increase of 182% from last year. The increase in finance costs was primarily attributed to the increase in the business size of car parking assets operations and management, and specifically the increase in the number of car parking spaces, which resulted in the increase of lease liabilities recognised and finance costs correspondingly during the year.

Share of results of associate

Shougang Fushan Resources Group Limited (“Shougang Resources”)

During the year, the Group has shared a profit of HK\$348 million from Shougang Resources, amongst which, HK\$71 million was derived as gain on deemed acquisition of shares of Shougang Resources as Shougang Resources completed a share repurchase in September 2020 which led to an increase in the Company attributable interest in Shougang Resources from 27.61% to 28.98%, excluding this gain, the share of profit for this year is nearly the same as last year.

Taxation

The subsidiaries of the Group engaged in management and operations of car parking assets business and management of private funds that are oriented towards urban redevelopment business in Mainland China are subject to China enterprise income tax at a rate of 25%. Provision for such tax amounting to approximately HK\$53 million was made for the year, while provision of approximately HK\$25 million was made for last year. Apart from this, the Group had reversed provision for capital gain tax of approximately HK\$148 million in last 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	
		2020 <i>HK\$ Million</i>	2019 <i>HK\$ Million</i>
Continuing operations			
1. Management and operations of car parking assets business	100%	180	(43)
2. Management of private funds that are oriented towards urban redevelopment business	100%	137	195
Sub-total		317	152
3. Holding other business assets			
Shougang Resources	28.98% (Before 28 September 2020: 27.61%)	348	290
Shougang Concord Century Holdings Limited (“Shougang Century”)	Nil (Before 9 April 2019: 35.71%)	–	5
Others		–	1
Sub-total		348	296
4. Others			
Disposal of the equity interest of Shougang Century		–	(125)
Australian tax recoverable		–	148
Corporate and others		(6)	(29)
Sub-total		(6)	(6)
Continuing operations		659	442
Discontinued operation		–	1
Profit attributable to owners of the Company		659	443

CONTINUING OPERATIONS

Management and operations of car parking assets business

Despite the management and operations of carparking assets business of the Group had been adversely affected by the epidemic, the Group continues to adhere to its vision of ‘investment in key cities, core locations and quality parking spaces’ and implement its operational concepts of regional development, lean operations and technological empowerment. The Group has initially established the four core business network through its wholly-owned subsidiary, E Park Investment Management Co., Ltd. (formerly known as Shouzhong Investment Management Co., Ltd) (驛停車(北京)投資管理有限公司) (前稱為首中投資管理有限公司), which is spanned across Beijing Tianjin-Hebei (with Beijing designated as the core city), Yangtze River Delta (with Nanjing designated as the core city), Chengyu Region (with Chengdu and Chongqing designated as the core cities) and Greater Bay Area (with Guangzhou designated as the core city), and setting up regional operation company, further consolidating the business network, and investing key cities. It has further polished core products, enriched business landscape, expanded cooperation model, and added the new product segment – parking spaces with property rights built on top of existing three types of existing product segment. Meanwhile, the Group has further implemented technological innovations into parking spaces operations and management, and improved operational efficiency while creating new business growth points based on regional characteristics.

In 2020, the projects at the Beijing Daxing International Airport (“**Daxing Airport**”) and the Beijing Capital International Airport commenced operation during the year, which contributed revenue of HK\$481 million for this operating segment, resulting an increase of over 170% compared to the last year. In addition, the parking spaces with property rights which the Group’s cooperated with Vanke Service Co., Ltd (“**Vanke**”) in the Greater Bay Area last year has achieved significant investment returns during the year. Net profit of this operating segment has recorded HK\$180 million and shifted from a loss-making position to a profit-making position. EBITDA for the year was HK\$416 million, representing an increase of over 1,500% when compared to HK\$25 million of last year.

In terms of regional development, the Group continued to strengthen its project layout in the four core regions of BeijingTianjin-Hebei, Yangtze River Delta, Southwestern Region and Greater Bay Area, amongst which:

- the Baoding roadside project in the Beijing-Tianjin-Hebei region was the first city-level parking project secured by the Group, providing 30-year parking operation services for 40 street roadside parking spaces and a parking complex in the core area of Baoding;
- Obtain the parking projects of Nanjing Jianye District and the P1 and P2 parking buildings of Shanghai Pudong International Airport through bidding continued to strengthen the Group’s competitiveness in the Yangtze River Delta;
- Obtain the parking project of Chongqing Dadukou through bidding exploited the PPP Construction project model in the Southwest region, combining the respective advantages of the Group and the local government to create a business model with benchmarking significance and reproducibility;
- in the Greater Bay Area, the Group and Vanke have jointly cooperated and formed a new business model, and successively expanded a considerable number of residential and commercial parking assets in Guangzhou and Foshan, and the asset appreciation gains have become the Group’s new profit growth point.

In terms of lean operations and technological empowerment, through reviewing and analysing its existing car parking assets portfolio, the Group has characterised its car parking assets by four major product lines, namely the municipal facilities car parking product segment, commercial car parking product segment, on street car parking product segment, and parking spaces with property rights segment, while empowering technological advance in different segments simultaneously to create new business growth points.

In the municipal facilities car parking product segment, the Group continued to strengthen its leading advantages. In the first half of the year, the winning bids of the Shanghai Pudong International Airport P1, P2 parking building project and the Boao Airport project demonstrated the Group's continued leadership in the airport parking operation field, and signified that the Group had secured market recognition and has formed a positive brand image and reputation. Airports, being an extensive space with traffic and landmark facilities, have ample of room allowing scenario application of parking products. The Group has also fully implemented scientific and technological management in airport projects, introduced automatic parking technology, promoted the application of photovoltaic energy, and practiced green concepts; in addition to "hard" technology, it has also enhanced the travel experience through humanistic services.

In commercial car parking product segment, the Group will continue to deepen the research and development of the SONIC (S-PARK Online Network Information Center) platform, which features with functions covering parking management, business innovation, facility management and AI + big data, allowing the Group to collect information at 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, the Group is 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 created innovations to diversify income stream and provided integrated intelligent parking solutions.

In on-street car parking product segment, the management of dynamic traffic and static traffic is combined through intelligent operation means, which not only lessens the difficulty of parking in the core area, but also improves the efficiency of on-street parking and utilises the data generated by static traffic for big data analysis and assist in the management of dynamic traffic, so as to realise all-round smart traffic management in cities and regions. This product format has been applied in several districts on-street parking projects in Beijing and Baoding city-level on-street parking projects.

In the parking spaces with property rights segment, the property rights of premium project parking spaces can be obtained through cooperation with leading domestic real estate companies. In the long-term operation process, in addition to obtaining rental income, the Group is also able to benefit from asset appreciation gain. At present, this model has performed well in the actual operation of the Guangzhou project and the Foshan project.

The epidemic in early 2020 had a certain extent of impact on the operations of the existing parking business and the new business expansion. In response to the adverse effects of the epidemic, the Group has actively implemented counter measures to improve the cost efficiency. With the effective control of the epidemic, we believe that business conditions will be further improved.

Management of private funds that are oriented towards urban redevelopment business

Management of private funds continues to take real estate infrastructure as the main direction. It covers urban redevelopment business and the infrastructure field. In 2020, the overall scale of fund management was growing steadily and continued to contribute a stable source of income to the Group. In 2020, this operating segment recorded revenue of HK\$213 million, representing an increase of 18% from last year and net profit of HK\$137 million, representing a decrease of 30% from last year, respectively. Excluding the impact of one-off income in 2019, the net profit of this operating segment has increased by 25% for this year as compared to last year.

As at 31 December 2020, the investors of the currently managed funds of the Group include the National Council for Social Security Fund (“NSSF”), Singapore Golden Eagle Group, Agricultural Bank of China, China Merchants Bank, China Life Insurance and other large financial institutions, and fund investment institutions from the provincial and municipal governments including Beijing, Nanjing, Hebei, Jilin, Sichuan, and Heilongjiang.

The Group adopts the real estate financial model of “funds + bases+ industries” to participate in the development, management, operation, and exit of industrial entities. Through controlling the shareholding or investing in the enterprises in the old industrial zone will result in the concentration of high-end industries. At the end of 2019, one of the funds managed by the Group successfully bid for the land use rights in respect of several parcels of land at the southeast area of the New Shougang High-end Industry Comprehensive Service Park (“**Shougang Park**”), with a planned gross area of approximately 240,000 sq.m, which 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 investment promotion and is scheduled to be put into operation in late 2021. It is expected to become the first largescale commercial complex at Shougang Park to serve the 2022 Beijing Winter Olympic Games and the citizens at the surrounding areas. With the continuous release of land resources in the old industrial zone, future cooperation will be continued around the 8.63 square kilometers of land resources storage in the Shougang Park, and the scale of fund management will be continued to expand.

The synergy between the management of private funds that are oriented towards urban redevelopment business and the car parking assets and management business has further emerged. The industrial funds deployed in key areas provide good relationship network, business resources and industry chains collaboration for the expansion of the parking business. In addition, with the accumulation of the Group’s business in the parking industry, funds with parking business as the main direction are also gradually establishing. The Group and Nanjing Jianye District had completed the signing of the establishment of Nanjing Shougang Jianye Smart Parking Investment Fund in 2020. This is the first professional investment fund in the parking industry of our Group, with a total scale of RMB1,000 million. The establishment of the fund has successfully built a closed loop of the parking industry ecosystem, realising the full chain coverage of parking lot planning and design, investment construction, and operation management.

Another focus of the fund management business is the equity investment business. The Company's equity investment business adheres to the concept of "keep straight and be innovative, incubating with ecology", on one hand, to "innovative" outside the core business and earn profits for the Company through financial investments, and on the other hand, to provide an ecological platform to promote repeated operation and innovation and incubation in core business industry. As the fund manager, the Group typically also 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 fund's investment projects continue to exit with benefit, the Group expects to obtain considerable and excess investment returns. "Li Xiang Automotive", which was officially listed on U.S. stocks market on 30 July 2020, is expected to bring excess returns to the Group during the subsequent fund withdrawal period. The "Bayi Space" which the fund under our management has invested in, was listed on the A-shares Science and Technology Innovation Board, is expected to bring considerable investment returns to the Group. The above two investment projects will not only bring considerable expected excess returns and investment returns to the Group, but also win market reputation for the Group's fund investments. The fund's brand power and influence in the investment circle will be continued to expand.

During the year, the Group acquired 11.22% equity interest of the fund under its management – Beijing Shougang Lvjie Venture Capital Co., Ltd ("**Lvjie Fund**"). Lvjie Fund is a company that focuses on investing in innovative SMEs which are in their initial stage and early to middle stage, and possess attributes of original innovation, integrated innovation or re-innovation. Lvjie Fund is in line with Beijing's urban function orientation, industrial investment orientation and relevant industrial policies. In particular, Lvjie Fund's investment focuses on energy conservation, environmental protection, new energy and other strategic emerging industries or cultural and creative industries stipulated by Beijing government. Small and medium-sized enterprises ("**SMEs**") are the new force of national economic and social development, and an important force to expand employment, improve people's livelihood, and promote entrepreneurship and innovation. Governments at all levels in the PRC shall give full play to their guiding roles in financial funds and state-owned enterprises, to enhance the technological innovation ability of SMEs comprehensively. Under the background of national support for the development of SMEs, Lvjie Fund was established in 2014 by financial funds and state-owned enterprises at state and local governments' level.

The overall financial condition of Lvjie Fund has been satisfactory and the acquisition of equity interests in Lvjie Fund from MOST Innovation Fund Management Centre is expected to bring positive financial benefits to the Company. Although Lvjie Fund has recorded net loss for the year of 2019, it was mainly derived from the loss in fair value changes in its invested projects. As Lvjie Fund will officially enter its exit phase in 2021, the accumulated income from previous investment projects will be distributed to its shareholders and it is expected to get cash return in a short period of time after the Acquisition.

The acquisition of equity interest in Lvjie Fund is precisely the implementation of the Company's philosophy of investment, which will also be beneficial to further focus on advantageous resources and industrial sectors, deeply participate in industrial integration, carry out precious investment and better empower and support the Company's core business.

In the future, Equity investment business is also expected to form in-depth collaborative development with the company's major business through the fully participation in industry integration.

PERFORMANCE OF ASSOCIATES

Shougang Resources

Exploration and sale of coking coal

As at 31 December 2020, Shougang Resources is a 28.98% 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 coking coal mines in Shanxi province, the PRC, namely Xingwu Coal Mine, Zhaiyadi Coal Mine and Jinjiazhuang Coal Mine. Shougang Resources sold approximately 80,000 tons of raw coal and 3.26 million tons of clean coal in the year, with a revenue of HK\$3,997 million, an increase of 3% compared with last year. The raw coal price per ton was RMB597 (inclusive of value added tax “VAT”), while the average price of clean coal was RMB1,218 (inclusive of VAT), decrease by 31% and 13% respectively over the last year. The profit attributable to owners of Shougang Fushan in the year was HK\$1,080 million, compared to HK\$1,140 million in last year. The profit of the Group’s share of Shougang Resources in the year was HK\$348 million, amongst which, HK\$71 million was derived as gain on deemed acquisition of the shares as Shougang Resources undertook a share repurchase exercise on September 2020 which led to an increase of the Company attributable interest of Shougang Resources from 27.61% to 28.98% excluding the gain on deemed acquisition, it reflects the stable development of the profit contribution of Shougang Resources compared to HK\$290 million of share of profit of Shougang Resources in last year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the aggregate sales of continuing operations attributable to the Group’s five largest customers combined were less than 30% of the Group’s total sales of continuing operations and the aggregate purchases of continuing operations attributable to the Group’s five largest suppliers combined were less than 30% of the Group’s total purchases of continuing operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group focus on the management and operations of management and operations of car parking assets business and management of funds of infrastructure real estate business.

The Group is also engaged in mining and sale of hard coking coal in China by holding interests in the Hong Kong listed associate, Shougang Resources. As a vital raw material for steel refining, the sale of coking coal of Shougang Resources has close connection with the steel demand. Weak demand on steel will directly dampen the results of Shougang Resources. With significant proportion of investments in these associates, the results of which will to a certain extent affect the overall performance of the Group.

Save for the above mentioned risks and uncertainties, the analysis on market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk of the Group are detailed in the note related to financial instruments to the financial statements.

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 debt equity ratio of the Group as at 31 December 2020 as compared to 31 December 2019 are summarised below:

	As at 31 December 2020 HK\$ Million	As at 31 December 2019 HK\$ Million
Bank balances and cash	<u>3,739</u>	<u>3,057</u>
Wealth management products and fixed income financial assets	<u>887</u>	<u>527</u>
Total borrowings	<u>483</u>	<u>457</u>
Equity attributable to the owners of the Company	<u>11,772</u>	<u>9,684</u>
Debt equity ratio*	<u>4%</u>	<u>5%</u>

* Debt equity ratio = Total borrowings/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 balances and borrowings. As at 31 December 2020, 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\$10.36 million (2019: HK\$7.82 million) higher/lower.

3. Financing Activities

As at 31 December 2020, the Group's balance of term loan financing from bank was HK\$483 million, which was for investing in the 25 years of operation rights of the parking building of the new airport in Beijing.

USE OF PROCEEDS

On 9 April 2019, the Company completed the subscription of a total of 676,808,626 (3,384,043,134 shares before the Share Consolidation) new ordinary shares by Soteria Financial Investment Company Limited, Red Avenue Investment Group Limited and Matrix Partners China V Hong Kong Limited's designated persons and received net proceeds of approximately HK\$850 million. As at the date of this announcement, out of the HK\$850 million, approximately HK\$780 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 business and the Company has utilised the remaining net proceeds for general working capital.

On 11 December 2019, the Company completed the subscription of 300,000,000 (1,500,000,000 shares before the Share Consolidation) new ordinary shares by JD Fountain Technology (Hong Kong) Limited and received net proceeds of approximately HK\$450 million. As at the date of this announcement, out of the HK\$450 million, approximately HK\$110 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 business and the Company has not utilised the remaining net proceeds and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The Company intends to use (1) approximately 60% of the proceeds to invest in the Group's management and operations of car parking assets 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 management of private funds that are oriented towards urban redevelopment business; and (3) the remaining 15% of the proceeds as general working capital and to seize business opportunities.

On 17 January 2020, the Company completed the subscription of 18,666,666 (93,333,333 shares before the Share Consolidation) new ordinary 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, Matrix Partners V and Matrix Partners V-A, and received a total net proceeds of approximately HK\$1,256 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the Shougang Subscription and CB Subscription in whole or in part, and intends to apply such proceeds as disclosed in the announcement of the Company dated 29 November 2019. The Company intends to use (1) approximately HK\$754 million, or 60% of the net proceeds, to invest in the Group’s management and operations of car parking assets 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 management of private funds that are oriented towards urban redevelopment business; and (3) approximately HK\$188 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.

On 21 February 2020, the Company completed the subscription of 300,000,000 (1,500,000,000 shares before the Share Consolidation) new ordinary 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. 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 Company intends to use (1) approximately HK\$270 million, or 60% of the net proceeds, to invest in the Group’s management and operations of car parking assets 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 management of private funds that are oriented towards urban redevelopment business; and (3) approximately HK\$70 million, or 15% of the net proceeds, as general working capital and to seize business opportunities.

On 10 August 2020, the Company completed the subscription agreement (“**Poly Platinum Subscription**”) with Poly Platinum Enterprises Limited (“**Poly Platinum**”), pursuant to which the Company has conditionally agreed to issue, and Poly Platinum has conditionally agreed to subscribe for the 1% convertible bonds, in the aggregate principal amount of HK\$300 million. As at the date of this announcement, the Company has not utilised any of the proceeds from the Poly Platinum Subscription and intends to apply such proceeds as disclosed in the announcement of the Company dated 28 July 2020. The Company intends to use the proceeds from the Poly Platinum Subscription for financing the expansion of the Group’s business in management and operation of car parking assets in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group.

MATERIAL ACQUISITIONS & DISPOSALS

There was no material acquisitions and disposals by the Group during the year.

EVENTS OCCURRING AFTER THE REPORTING PERIODS

(a) Very Substantial Disposal

On 15 January 2021, Shoujing Yifei Holdings Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company, entered into the a sale and purchase agreement (the “**Sales and Purchase Agreement**”) with King Rich Group Limited (“**King Rich**”), a connected person of the Company, pursuant to which the Vendor has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the sale shares (the “**Sales Shares**”) which represent the entire issued share capital of each of Excel Bond Investments Limited (“**Excel Bond**”), Fine Power Group Limited and Fair Gain Investments Limited (collectively the “**Subject Companies**”), at a consideration of HK\$3,513,509,976. The Subject Companies indirectly and directly held 1,463,962,490 shares of the Shougang Resources which represents 28.98% of all issued shares of Shougang Resources and all interests of Shougang Resources held by the Group.

On 18 February 2021, the Company announced in a supplemental announcement that, on the same date, the Vendor and King Rich entered into a supplemental agreement to amend and restate the Sales and Purchase Agreement to the effect that:

- i) the Sales Shares was amended to one ordinary share of Excel Bond, which represented the entire issued share capital of Excel Bond (the “**Revised Sale Share**”). At completion, Excel Bond will indirectly hold approximately 11.88% of all issued shares of Shougang Resources; and
- ii) Consideration for the Revised Sale Share is HK\$1,440,000,000, which reflects an indirect transfer of 600,000,000 Shougang Resources shares at a consideration of HK\$2.40 per Shougang Resources share, being the same price per Shougang Resources Share as disclosed in the announcement dated 15 January 2021. As Excel Bond will cease to be a subsidiary of the Company following Completion, the Company will only have indirect aggregate interest in approximately 17.10% of all issued shares of Shougang Resources upon completion of its disposal of the Revised Sale Share pursuant to the terms and conditions of the amended and restated Sales and Purchase Agreement.

For further details of the aforesaid disposal, please refer to the announcements of the Company dated 15 January 2021 and 18 February 2021.

(b) Placing of existing shares

On 27 January 2021, the Company entered into the placing agreement with Huatai Financial Holdings (Hong Kong) Limited and BOCI Asia Limited (as placing agents) to procure placees to purchase the total number of the placing shares, being 210,000,000 shares, at a placing price of HK\$2.03 per placing share.

On 3 February 2021, the Company completed the placing and the subscription of 210,000,000 placing shares to not less than six placees (“**Placing and Subscription**”) with net proceeds of approximately HK\$419 million.

For further details of the aforesaid placing, please refer to the announcements of the Company dated 27 January 2021 and 3 February 2021.

CAPITAL STRUCTURE

The Company issued 5,698,949,999 new shares (before the share consolidation taking effect) during this year. On 21 February 2020, the Company announced that the Board proposes to implement a share consolidation on the basis that every five (5) ordinary shares of the Company be consolidated into one (1) ordinary share. Pursuant to an ordinary resolution of the shareholders of the Company passed on 26 March 2020, the share consolidation was approved and had become effective on 30 March 2020. Immediately after the share consolidation, the total number of issued shares of the Company was adjusted to 6,925,576,780 from 34,627,883,902 (the “**Share Consolidation**”).

As at 31 December 2020, the issued share capital of the Company was HK\$12,127,547,000 (represented by 7,081,017,194 issued ordinary shares, after the share consolidation taking effect).

EMPLOYEES RELATIONSHIP

The Group has a total of 458 employees as at 31 December 2020. All subsidiaries of the Company promote equal employment opportunities, and the selection and promotion of employees depends on whether the individual meets the requirements of the relevant position.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to consider 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 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, welfare fund contribution and share subscription plan to subscribe for the Company’s ordinary shares as part of their staff benefits. In addition, the Group continues to organise different training and development courses for its employees, and arranges a number of social, recreational and cultural activities for all employees, and its employees also actively participate in a number of meaningful community activities.

PROSPECTS

2020 has been a complicated year in terms of external business environment for enterprises. While bringing great challenges, it also offers opportunities for the Group's business integration and expansion. Our airport projects have captured a new fortress, and city-level projects in cooperation with the government have opened up a new prospect. The scale of fund management has continued to grow, investment projects have begun to yield positive results, the synergy of the two business segments has been further strengthened, and the profitability has continued to improve.

The domestic car parking industry in the PRC currently has structural issues including excessive market dispersion, weak technology 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, it was noted that the industry is also gaining higher market traction and increasing number of investors as well as large to medium sized enterprises have invested in the industry. As the first batch of listed company in China that focuses on investments and operations 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. It is expected that the Group will achieve fast development in respect of car parking assets operation and management in the future.

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 private equity fund business and net profit contribution from investment exit will continue to rise as the fund size increases. While creating long-term and stable profits for the Company, the management of private funds that are oriented towards urban redevelopment business also contributed to the growth of the Company's urban renewal and car parking business. An unique development model of "funds + bases + industries" was formed, providing a solid foundation for the Group's robust growth in the future. In addition, through the establishment of a special parking industry fund and equity investment in the field of "travelling", it has created strong synergies with the Company's deeply cultivated parking asset management business.

The rapid development of the Group benefits from the trust and support of shareholders. With the completion of a new round of financing in the first half of the year, the Group completed the convertible bond subscription agreement with the Greater Bay Area Common Home Development Fund in August 2020. While obtaining financial support, it will also form a strategic alliance. The government and corporate resources, financial strength and strategic resources of invested companies in the Greater Bay Area will help the Group further explore space for business expansion in the Greater Bay Area, acquire high-quality parking assets in the region, and accelerate the Greater Bay Area business, the expansion extends from a dotted layout to a grid and density layout, and establishes a leading position in the Greater Bay Area market, thereby forming a pattern of simultaneous development of the four core areas of Beijing-Tianjin-Hebei, Yangtze River Delta, Southwest Region and the Greater Bay Area to further consolidate the leading position of the parking industry.

We will stay committed to pursuing more speedy development of the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment business, and strive to become China's investment management and technology in the field of parking and transportation and infrastructure real estate service leader.

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 all the code provisions and, where applicable, the recommended best practices in 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 during the financial year ended 31 December 2020. 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 2020 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
Shoucheng Holdings Limited
Zhao Tianyang
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises Mr. Zhao Tianyang (Chairman), Mr. Xu Liang, Mr. Li Wei (President), Mr. Liang Hengyi and Ms. Zhang Meng 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.