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首程控股
SHOUCHENG HOLDINGS

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 2021

FINANCIAL HIGHLIGHTS

– The Group recorded revenue of HK$1,195 million, representing an increase of 69% from last year, the Group recorded gross profit of HK$547 million, representing an increase of 214% from last year.

– The Group recorded operating profit of HK$569 million, representing an increase of 818% from last year.

– The Group recorded loss attributable to owners of the Company of HK$1,095 million as compared to profit attributable to owners of the Company of HK$659 million of last year, mainly due to the provision for impairment of investment in an associate of HK$1,615 million for the year in respect of an associate of the Company, Shougang Fushan Resources Group Limited ("**Shougang Resources**"), which took into account the recent market price and cost to sell of Shougang Resources.

– The basic loss per share for the year was HK15.19 cents, representing a decrease of HK24.81 cents compared to basic earnings per share of HK9.62 cents of last year.

– The diluted loss per share for the year was HK15.19 cents, representing a decrease of HK24.76 cents compared to diluted earnings per share of HK9.57 cents of last year.

The Board has recommended to declare a final dividend in the total amount of HK$400 million for the year ended 31 December 2021 (2020: HK$400 million).

The Board declared an interim dividend of HK$300 million, and a total of HK$700 million will be declared for the year ended 31 December 2021.

On 15 February 2022, the Board declared a special dividend in the aggregate amount of HK$200 million, comprising the first tranche of special dividend of HK$100 million was paid on 14 March 2022. The second tranche of HK$100 million is payable on 31 October 2022.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	3	**1,195,031**	705,854
Cost of sales		**(647,828)**	(531,460)
Gross profit		**547,203**	174,394
Other income, net		**307,617**	138,641
Other gains, net		**128,016**	822
Write-off of trade receivables		**(69,013)**	–
Provision for impairment loss for trade receivables		**(1,718)**	(1,071)
Administrative expenses		**(343,154)**	(250,972)
Operating profit		**568,951**	61,814
Finance costs		**(74,343)**	(77,168)
Provision for impairment of investment in an associate		**(1,615,179)**	–
Share of results of associates		**16,632**	343,320
Share of results of joint ventures		**114,826**	344,069
(Loss)/profit before income tax		**(989,113)**	672,035
Income tax expense	4	**(124,413)**	(36,565)
(Loss)/profit for the year		**(1,113,526)**	635,470
(Loss)/profit is attributable to:			
Owners of the Company		**(1,095,327)**	658,613
Non-controlling interests		**(18,199)**	(23,143)
		(1,113,526)	635,470

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Other comprehensive income/(loss)			
Items that have been/may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**10,098**	125,339
Share of exchange differences of associates and joint ventures arising on translation of foreign operations		**27,577**	154,656
Item that will not be reclassified to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income ("**FVOCI**")		**(14,975)**	–
Share of fair value change on investment in equity instruments designated at FVOCI of an associate		**8,253**	(402)
Other comprehensive income for the year		**30,953**	279,593
Total comprehensive (loss)/income for the year		**(1,082,573)**	915,063
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,064,630)**	919,766
Non-controlling interests		**(17,943)**	(4,703)
		(1,082,573)	915,063
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company:			
Basic (loss)/earnings per share *(HK cents)*	*5(a)*	**(15.19)**	9.62
Diluted (loss)/earnings per share *(HK cents)*	*5(b)*	**(15.19)**	9.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**35,663**	39,748
Right-of-use assets		**2,204,768**	1,753,170
Contract assets in respect of service concession arrangements		**124,017**	88,274
Investment properties		**257,466**	158,521
Investments in associates	*6*	**173,538**	5,269,687
Investments in joint ventures		**854,694**	656,143
Investments - non-current		**1,075,915**	709,910
Prepayments and deposits		**132,994**	296,736
Deferred income tax assets		**3,304**	16
Other non-current assets		**413,607**	338,970
Total non-current assets		**5,275,966**	9,311,175
Current assets			
Trade receivables	*7*	**135,144**	190,674
Prepayments, deposits and other receivables		**262,947**	333,564
Investments - current		**1,523,213**	514,796
Restricted bank deposits		**–**	36,890
Time deposits with maturity over three months		**100,000**	–
Bank balances and cash		**2,573,462**	3,738,533
		4,594,766	4,814,457
Asset classified as held for sale		**3,511,510**	–
Total current assets		**8,106,276**	4,814,457
Total assets		**13,382,242**	14,125,632
EQUITY			
Capital and reserves			
Share capital	*9*	**12,546,847**	12,127,547
Reserves		**(2,406,210)**	(355,257)
Capital and reserves attributable to owners of the Company		**10,140,637**	11,772,290
Non-controlling interests		**87,770**	147,008
Total equity		**10,228,407**	11,919,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings – non-current		**573,605**	476,832
Lease liabilities – non-current		**1,512,358**	1,011,584
Deferred income tax liabilities		**59,796**	18,063
Total non-current liabilities		**2,145,759**	1,506,479
Current liabilities			
Trade payables	*8*	**389,337**	204,622
Other payables, provision and accrued liabilities		**240,159**	216,404
Contract liabilities		**23,822**	89,070
Tax payable		**98,446**	60,831
Borrowings – current		**179,037**	6,100
Lease liabilities – current		**77,275**	122,828
Total current liabilities		**1,008,076**	699,855
Total liabilities		**3,153,835**	2,206,334
Total equity and liabilities		**13,382,242**	14,125,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and liabilities measured at fair value and the asset held for sale measured at the lower of carrying amount and fair value less cost of sell.

The financial information relating to the years ended 31 December 2020 and 2021 included in this preliminary announcement of annual results 2021 does 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 2020 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 2021 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. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

- Interest Rate Benchmark Reform (Phase 2) – Amendments to Hong Kong Accounting Standard ("**HKAS**") 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16

- COVID-19-Related Rent Concession – Amendments to HKFRS 16

The 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.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

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

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond June 2021 (Amendments)	1 April 2021
HKFRSs Annual Improvements 2018-2020 cycle	HKFRSs Standards Annual Improvements	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contract	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments)	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale Or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 standards, interpretations, and amendments will have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The Group has been principally engaged in parking business, infrastructure and real estate fund management business and investment holding.

Revenue recognised during the year are as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue under HKFRS 15:		
Carpark income	**413,373**	337,250
Revenue from service concession arrangements	**135,130**	86,009
Fund management services income	**174,478**	207,877
Excess return from investment fund	**246,583**	–
Others	**23,244**	12,141
	992,808	643,277
Revenue under other accounting standards:		
Leasing income	**64,819**	57,743
Investment gain on financial assets at FVPL	**137,404**	4,834
Total revenue	**1,195,031**	705,854

	2021	2020
	HK$'000	*HK$'000*
Timing of revenue recognition		
– Overtime	**992,808**	643,277

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:

Parking business ("**Parking**")	– management and operations of car parking assets
Infrastructure and real estate fund management business ("**Fund management**")	– management of private funds and real estate investment trust ("**REITs**")

3. 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 2021

	Parking *HK$'000*	**Fund management** *HK$'000*	**Others** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**613,322**	**558,465**	**23,244**	**1,195,031**
Segment profit/(loss)	**14,044**	**427,763**	**(3,143)**	**438,664**
Segment profit/(loss) includes:				
Excess return from investment fund	**–**	**246,583**	**–**	**246,583**
Share of results of associates	**–**	**4,222**	**–**	**4,222**
Share of results of joint ventures	**117,150**	**(2,324)**	**–**	**114,826**
Administration expenses				**(155,410)**
Dividend income				**254,669**
Finance costs				**(1,640)**
Other income, net and others gains, net				**77,373**
Provision for impairment of an investment in an associate				**(1,615,179)**
Share of results of associates				**12,410**
Loss before income tax				**(989,113)**

For the year ended 31 December 2020

	Parking *HK$'000*	Fund management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	481,002	212,711	12,141	705,854
Segment profit/(loss)	142,677	185,046	(8,652)	319,071
Segment profit/(loss) includes:				
Share of results of associates	–	(4,391)	–	(4,391)
Share of results of joint ventures	344,069	–	–	344,609
Administration expenses				(67,056)
Finance costs				(2,756)
Other income, net and other losses, net				75,065
Share of results of associates				347,711
Profit before income tax				672,035

4. INCOME TAX EXPENSE

Provision for income tax expense amounted to HK$124,413,000 has been made for year ended 31 December 2021 (2020: HK$36,565,000).

Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% of the assessable profit in 2021 (2020: 16.5%).

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 2021 (2020: 25%).

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The requirement was effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on any dividends distributable by its subsidiaries established in Mainland China in respect of earnings generated.

5. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share for the year is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year and excluding shares held for employee share scheme.

	2021	2020
	HK cents	*HK cents*
Basic (loss)/earnings per share attributable to the owners of the Company	**(15.19)**	9.62

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share for the year is calculated by dividing the adjusted (loss)/profit attributable to the owners of the Company which have taken into account the after-tax interest and other related after-tax financing costs on potentially dilutive ordinary shares by the adjusted weighted average number of ordinary shares in issue, which have taken into account the additional ordinary shares that would have been outstanding assuming that all potentially dilutive ordinary shares have been converted.

	2021	2020
	HK cents	*HK cents*
Diluted (loss)/earnings per share attributable to the owners of the Company	**(15.19)**	9.57

5. (LOSS)/EARNINGS PER SHARE (CONTINUED)

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

	2021	2020
	HK$'000	*HK$'000*
Basic (loss)/earnings per share		
(Loss)/profit attributable to the owners of the Company used in calculating basic (loss)/earnings per share	**(1,095,327)**	658,613
Diluted (loss)/earnings per share		
(Loss)/profit attributable to the owners of the Company used in calculating basic (loss)/earnings per share	**(1,095,327)**	658,613
Add: interest savings on convertible bonds used in calculating diluted (loss)/earnings per share	**–**	2,492
(Loss)/profit attributable to the owners of the Company used in calculating diluted (loss)/earnings per share	**(1,095,327)**	661,105

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

	2021	2020
	Number of share	Number of share
	'000	*'000*
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	**7,212,673**	6,848,465
Adjustment for calculation of diluted (loss)/earnings per share in relation to convertible bonds	**–**	56,214
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted (loss)/earnings per share (note)	**7,212,673**	6,904,679

Note:

The weighted average number of ordinary shares adopted in the calculation of basic and diluted (loss)/earnings per share for the year ended 31 December 2021 have been arrived at after deducting the shares held in trust for the Group under the share incentive plan of the Group.

5. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(e) Effects of convertible bonds

Convertible bonds issued and converted during the year are considered to potential ordinary shares and have been included in the determination of diluted (loss)/earnings per share from their date of issue. The convertible bonds have not been included in the determination of basic (loss)/earnings per share.

The weighted average number of ordinary shares for basic (loss)/earnings per share has been stated after taking into account the effect of the share consolidation being effective on 30 March 2020.

(f) Effects of share options

Options granted to employees under the share incentive plan are considered to be potential ordinary shares. These are performance-based share options with a number of performance conditions. As the performance conditions were not met as at 31 December 2021, the options are not included in the determination of diluted (loss)/earnings per share.

6. INVESTMENTS IN ASSOCIATES

Set out below is the significant associate of the Group as at 31 December 2021 which, in the opinion of the directors, is material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which is held directly by the Group.

The associate is accounted for using the equity method in these consolidated financial statements.

The carrying amount of investment in an associate as at 31 December 2021 and 2020 is as follows:

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
				2021	2020	**2021**	2020	
						HK$'000	*HK$'000*	
Shougang Resources *(Note (a) & (b))*	Hong Kong	The PRC	Equity method	**28.98%**	28.98%	**–**	5,106,025	Coking coal mining, production and sale of coking coal products and side products

Note (a): On 28 September 2020, Shougang Resources announced that it 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 recognised and included as part of the share of results of associates in the consolidated statement of comprehensive income for the year ended 31 December 2020.

6. INVESTMENTS IN ASSOCIATES (CONTINUED)

Note (b): On 15 January 2021, Shoujing Yifei Holdings Limited ("**Shoujing Yifei**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with King Rich Group Limited ("**King Rich**"), a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("**Shougang Holding**"), one of the substantial shareholders of the Company, pursuant to which Shoujing Yifei conditionally agreed to sell, and King Rich conditionally agreed to purchase the sale shares ("**Sale 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**"). The Subject Companies directly and indirectly held 1,463,962,490 shares of Shougang Resources which represents 28.98% of all issued shares of Shougang Resources and all interests of Shougang Resources held by the Group, at a consideration of HK$3,513,509,976 ("**Proposed Disposal**").

Completion of the Proposed Disposal was subject to and conditional upon the fulfillment of certain conditions precedent, including, amongst others, the waiver from King Rich's and/or Shougang Holding's obligation to make a mandatory general offer for Shougang Resources' shares not already owned or agreed to be acquired by King Rich and its parties acting in concert (as defined in the Code on Takeovers and Mergers ("**Takeovers Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**")) under Rule 26.1 of the Takeovers Code as a result of the transactions contemplated under the Sale and Purchase Agreement ("**Waiver**") having been obtained from the SFC and remain valid and effective.

The management of the Group expected the Proposed Disposal to be completed within one year. As a result, the entire equity interest in Shougang Resources held by the Group was reclassified as held for sale on 15 January 2021.

On 18 February 2021, the Company published a supplemental announcement stating that the Company was informed that King Rich and Shougang Holding did not successfully obtain a Waiver from the SFC. As a result, on the same date, Shoujing Yifei and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement (the "**Amended and Restated Sale and Purchase Agreement**") such that the Sale Shares under the Sale and Purchase Agreement was amended as relating to the entire issued share capital of Excel Bond (the "**Revised Sale Share**") and the consideration was revised as HK$1,440,000,000. It was expected that at completion, Excel Bond will indirectly hold 600,000,000 shares of Shougang Resources.

On 28 May 2021, the Amended and Restated Sale and Purchase Agreement and other transactions contemplated thereunder was approved in a general meeting of the Company. Despite the amendment and restatement of the Sale and Purchase Agreement above, there was no change in overall business plan of disposal of all interests of Shougang Resources held by the Group.

The equity interest in Shougang Resources classified as held for sale during the year was measured at the lower of the carrying amount or fair value less cost to sell at the time of the reclassification and re-measured at each period end. It was reclassified from investment in associate to asset classified as held for sale and measured at fair value less cost to sell on 15 January 2021. It was subsequently re-measured at its fair value less cost to sell as at 31 December 2021. The total impairment loss recognised during the year ended 31 December 2021 was HK$1,615,179,000. The fair value of the equity interest of Shougang Resources was determined with reference to the market price of Shougang Resources as at 15 January 2021 and 31 December 2021 respectively.

On 27 January 2022, all the conditions precedent of the Amended and Restated Sale and Purchase Agreement have been satisfied and the sale of the entire issued share capital of Excel Bond, which represented 11.88% of all issued shares of Shougang Resources, took place.

7. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**136,795**	192,897
Less: Provision for impairment losses	**(1,651)**	(2,223)
Trade receivables – net	**135,144**	190,674

The credit terms of trade receivables are normally 30 to 180 days as at 31 December 2021 (2020: 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 year, which were similar to the respective revenue recognition dates:

	2021	2020
	HK$'000	*HK$'000*
Within 60 days	**32,898**	117,818
61 – 90 days	**9,405**	34,599
91 – 180 days	**22,416**	38,257
Over 180 days	**70,425**	–
	135,144	190,674

8. TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**89,633**	66,410
91 – 180 days	**64,845**	29,947
181 – 365 days	**82,096**	36,856
Over 365 days	**152,763**	71,409
	389,337	204,622

9. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares issued and fully paid:		
At 1 January 2020	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)
At 31 December 2020 and 1 January 2021	7,081,017	12,127,547
Issue of new shares on 3 February 2021	210,000	426,300
Transaction costs attributable to issue of new shares	–	(7,000)
At 31 December 2021	7,291,017	12,546,847

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

10. SHARES HELD FOR SHARE INCENTIVE PLAN

	2021 Number of Shares ***'000***	**2021** ***HK$'000***
Shares held for share incentive plan	173,138	298,433

These shares are shares in Shoucheng Holdings Limited that are held by the Company's trustee for the purpose of granting shares under the Company's share incentive plan. Shares granted to employees are recognised on a first-in-first-out basis.

	Number of shares ***'000***	***HK$'000***
At 1 January 2020 and 31 December 2020	–	–
Acquisition of shares	173,138	298,433
At 31 December 2021	173,138	298,433

10. SHARES HELD FOR SHARE INCENTIVE PLAN (CONTINUED)

Share incentive plan

The adoption of the share incentive plan (the "**Plan**") was approved by shareholders at the general meeting on 3 November 2021. The Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain performance standards are met. Participation in the Plan is at the Board's discretion and no individual has a contractual right to participate in the Plan or to receive any guaranteed benefits. The amount of options that will vest depends on the Group's performance and the individual grantee's performance of each year during the grant and exercise periods. Once vested, the options remain exercisable for a period of 60 months. Options are granted under the Plan for no consideration and carry no dividend or voting rights.

Set out below are summaries of the options granted under the Plan:

	2021 Exercise price per share option *HK$*	**2021 Number of share options** *'000*
As at 1 January	–	–
Granted during the year	1.624	138,500
As at 31 December	1.624	138,500
Vested and exercisable at 31 December	–	–

No options were expired, exercised and forfeited during the year covered by the above tables.

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant Date	**Expiry date**	**2021 Exercise price per share option** *HK$*	**2021 Number of share options** *'000*
5 November 2021	5 November 2024	1.624	45,705
5 November 2021	5 November 2025	1.624	45,705
5 November 2021	5 November 2026	1.624	47,090
			138,500

Weighted average remaining contractual life of options outstanding at end of year	3.86 years

For the year ended 31 December 2021, the Group has recognised an equity-settled share-based expense of HK$2,387,000 for the share options under the Plan in the consolidated statement of comprehensive income.

11. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
Final dividend for the year ended 31 December 2020 of HK5.49 cents (2019: HK7.22 cents) per fully paid share	**400,276**	500,027
Interim dividend for the year ended 31 December 2021 of HK4.11 cents (2020: HK4.27 cents) per fully paid share	**299,662**	300,147
	699,938	800,174

In a board resolution dated 30 August 2021, the Board declared an interim dividend in the total amount of HK$300 million (equivalent to HK4.11 cents per share, based on the number of issued shares on 30 August 2021, i.e 7,291,017,194 shares) for the six months ended 30 June 2021 (2020: HK$300 million).

In a board resolution dated 30 March 2022, the Board resolved to recommend a final dividend in the total amount of HK$400 million for the year ended 31 December 2021 (2020: HK$400 million) payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 15 July 2022. Based on the 7,285,117,194 ordinary shares in issue, such a final dividend would amount to HK5.49 cents per share (2020: HK5.49 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 2021 has not been recognised as a liability as at 31 December 2021.

In a board resolution dated 15 February 2022, the Board declared a special dividend in the total amount of HK$200 million, comprising the first tranche of special dividend of HK$100 million was paid to shareholders whose names appear on the register of members of the Company on Thursday, 3 March 2022. Based on the 7,291,017,194 ordinary shares in issue, such a special dividend amounted to HK1.37 cents per share.

12. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Step acquisition in subsidiary

(a) On 27 March 2020, the Group acquired an additional 33.136% equity interest of Beijing Shouzhong Car Parking Management Co., Ltd. ("**Shouzhong Parking**") for 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) During the year ended 31 December 2021, the Group completed several transactions with non-controlling interests. The Group recognised a decrease in a non-controlling interest of HK$30,799,000 and increase in equity of HK$9,661,000 attributable to the owners of the Company.

(c) During the year ended 31 December 2021, the non-controlling interests of certain non-wholly owned subsidiaries and the Group completed several rounds of capital injections into those subsidiaries in proportion to the original equity interests of the subsidiaries held by the Group and the non-controlling interests. As a result of the capital injections, the balance of non-controlling interests increased by HK$1,604,000 (2020: 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 and the related notes thereto for the year ended 31 December 2021 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 2021 (2020: HK$400 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 15 July 2022. Based on 7,285,117,194 ordinary shares of the Company in issue, such a final dividend would amount to HK5.49 cents per ordinary share (2020: HK5.49 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Tuesday, 24 May 2022 (the "**AGM**"), the final dividend is expected to be paid on Wednesday, 3 August 2022. 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 Friday, 15 July 2022 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022 (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 Wednesday, 18 May 2022 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

During 2021, the economy recovered gradually, while it still suffered some negative effect from the erratic variant virus of COVID-19. Although facing this complicated external environment, the Group's two core businesses continue to maintain a positive development trajectory, and has made steady and orderly progress in expansion. Substantial progress of Real Estate Investment Trusts ("**Public Offering REITs**") in infrastructure fund sector has also created ample room for the development of the Group's core businesses.

With the rapid expansion of business scale, the Group's revenue scale of core businesses has maintained a rapid growth for the year and recorded revenue of HK$1,195 million for the year, representing an increase of 69% compared to last year. The parking business of the Group has made sustained progress in business expansion, build-operate-transfer model ("**BOT model**") has been implemented and replicated in multiple locations, the revenue of parking business has maintained at a rapid growth rate. The infrastructure and real estate fund management business contributed a considerable and stable profit, the funds that currently managed had started to share its returns during the year, which resulted in the rapid increment of revenue.

At the same time, the Group has firmly focused on implementing the strategic restructuring of its core businesses and decided to divest its equity interest in Shougang Fushan Resources Group Limited ("**Shougang Resources**"), a company listed in the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with stock code 639.

Taking into account the recent market price and cost to sell of Shougang Resources, the total amount of provision for impairment in Shougang Resources is HK$1,615 million. As a result, a significant loss attributable to owners of the Company of HK$1,095 million for the year, as compared to profit attributable to owners of the Company of HK$659 million in last year.

The disposal of shares of the Shougang Resources (the "**Disposal**") represents a key element of the strategic restructuring of the Group's principal businesses since 2018 by implementing the Group's overall strategy of focusing on the new core businesses. The business structure has been fully transformed from typical periodic business cycle to spanning economic business cycle, with strong cashflow, healthy and stable operation of the parking and infrastructure and real estate fund management businesses. The Group is actively promoting the development of its principal businesses. The Group has also realised the use of commercial means to solve social problems, which is in line with the country's long-term development direction.

Although the Disposal has a negative impact on the Group's performance in 2021, such negative impact represents book loss only. The cash proceeds receivable from the Disposal will optimise the Group's asset structure and promote further expansion and development of the core businesses, which is in line with the long-term interests of the Group and the shareholders. Among them, the Group completed the transaction of the revised proposed restructuring in January 2022 and received cash proceeds of HK$1,440 million. The Group's core businesses maintain stable profit growth if the provision for impairment and the related investment return of Shougang Resources are excluded.

The Group's basic loss per share for the year was HK15.19 cents, representing a decrease of HK24.81 cents compared to profit per share of HK9.62 cents in last year. The Group's diluted loss per share for the year was HK15.19 cents, representing a decrease of HK24.76 cents compared to profit per share of HK9.57 cents in last year.

KEY PERFORMANCES INDICATORS REVIEW

	For the year ended 31 December	
	2021	2020
	HK$ Million	*HK$ Million*
Revenue	**1,195**	706
Adjusted EBITDA*	**947**	947
Operating profit	**569**	62
(Loss)/profit attributable to the owners of the Company	**(1,095)**	659

	For the year ended 31 December	
	2021	2020
	HK cents	*HK cents*
Basic (loss)/earnings per share	**(15.19)**	9.62
Diluted (loss)/earnings per share	**(15.19)**	9.57

	As at 31 December	
	2021	2020
	HK$ Million	*HK$ Million*
Total assets	**13,382**	14,126
Net assets	**10,228**	11,919
Asset – Liability ratio	**23.6%**	15.6%
Debt equity ratio	**7.4%**	4.1%

* Adjusted EBITDA is defined as (loss)/profit before income tax plus non-controlling interest, finance costs, provision for impairment of Shougang Resources, depreciation and amortisation.

FINANCIAL REVIEW

The year ended 31 December 2021 compared to the year ended 31 December 2020.

Revenue and Cost of Sales

With the rapid expansion of business scale, the Group recorded significant increase in revenue.

The Group recorded revenue of HK$1,195 million for the year, representing an increase of 69% compared to HK$706 million for last year. The Group recorded cost of sales of HK$648 million for this year, representing an increase of 22% compared to HK$531 million for last year. Gross profit ratio for the year was 45.8%, representing an increase of 21% compared to 24.8% for last year. The increase in gross profit was mainly attributable to the significant increase in revenue as the infrastructure and real estate fund management business has recognised a fund distribution and recorded an excess return (before tax) of HK$258 million during the year. Besides, while the operation efficiency of parking business has improved, the overall gross profit of the parking business has gradually enhanced.

Adjusted EBITDA

During the year, the adjusted EBITDA of the Group amounted to HK$947 million, which is the same as last year. In this year, the accounting classification was adjusted due to the disposal of the relevant shares of Shougang Resources held by the Group, which led to a decrease in investment return from Shougang Resources by HK$87 million as compared to last year. Excluding the investment return of Shougang Resources, the adjusted EBITDA of Group's core business amounts to HK$686 million for the year, representing an increase of 14% compared to HK$600 million for last year.

Finance costs

During the year, finance costs of the Group amounted to HK$74 million, representing a decrease of 4% of last year.

Share of results of an associate and the Disposal

Shougang Resources

Shougang Resources is a company incorporated in Hong Kong with limited liability and is a major hard coking coal producer in Mainland China.

The carrying amount of the investments in Shougang Resources was reclassified as assets held for sale in January 2021.

As the accounting classification was adjusted due to the plan for the disposal of the relevant shares of Shougang Resources held by the Group, the investment return from Shougang Resources for the year was HK$261 million and decreased by 25% compared to HK$348 million of share of profit of Shougang Resources of last year.

Besides, there was a provision for impairment of the Group's holding of shares in Shougang Resources having taken into account the recent market price and cost to sell of Shougang Resources. The total amount of provision for impairment was approximately HK$1,615 million during the year. The provision for impairment represents an accounting related adjustment and is a non-operating item and therefore it shall not impact the cash flow of the Group. In January 2022, the Group completed the Revised Proposed Restructuring and received cash proceeds of HK$1,440 million.

Taxation

Provision for income tax expense amounted to HK$124,413,000 has been made for year ended 31 December 2021 compared to HK$36,565,000 last year.

The Group has been principally engaged in parking business and infrastructure and real estate fund management business in Mainland China and is subject to China enterprise income tax at a rate of 25%.

REVIEW OF OPERATIONS

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

		For the year ended 31 December			
		2021		2020	
Operation/Entity		**Revenue**	**Profit/(loss)**	Revenue	Profit/(loss)
		HK$ Million	***HK$ Million***	*HK$ Million*	*HK$ Million*
1.	**Parking business (before tax)**	**614**	**14**	481	143
2.	**Infrastructure and real estate fund management business (before tax)**	**558**	**428**	213	185
3.	**Other business (before tax)**	**23**	**(3)**	12	(9)
	Sub-total	**1,195**	**439**	706	319
4.	**Holding other business assets**				
	Shougang Resources	**–**	**261**	–	348
	Sub-total	**–**	**261**	–	348
5.	**Others**				
	Corporate	**–**	**(74)**	–	5
	Sub-total	**–**	**(74)**	–	5
6.	**Provision for impairment of Shougang Resources**	**–**	**(1,615)**	–	–
	(Loss)/profit before income tax	**–**	**(989)**	–	672
	Taxes and others	**–**	**(106)**	–	(13)
	(Loss)/profit attributable to owners of the Company	**–**	**(1,095)**	–	659

Parking business

In 2021, the variant virus of COVID-19 started the global pandemic, and the variant virus is more concealed and more difficult to be detected. The tightening of traffic control measures in various places due to the erratic variant virus of COVID-19 has brought enormous pressure to the entire parking business.

Facing this unfavorable challenge, the parking business adheres to the principle of "good location, large-scale, and long-term interest" in expanding the scale of parking space management, practicing "internal skills" in a crisis, enhancing investment in technology and deepening the lean operation.

The parking business recorded revenue of HK$614 million for the year, representing an increase of 28% compared to last year. Although the profit has shown a relatively large decline, its composition has undergone a major change. Based on the judgment of the market trend of the real estate industry, the Group slowed down the acquisition pace of the parking spaces with property rights in 2021 and intends to wait for a better time, such that the investment returns achieved from the parking spaces with property rights recorded a rapid decrease in 2021 as compared to last year. In this case, the parking business still recorded profit. It also allows the Group to see that even under the influence of repeated pandemics, the overall anti-risk ability and profitability of the parking business are gradually improving.

In terms of regional development and products polishing, the parking business in the four core regions of Beijing-Tianjin-Hebei Region, Southeast Region, Chengyu Region, Greater Bay Area and the airport line have maintained a satisfying growth and commissioning speed, amongst which:

- The Beijing-Tianjin-Hebei Region is the core area with the largest scale of parking assets of the Group. In 2021, Beijing Chaoyang Railway Station Project*（北京朝陽站項目）, Beijing Zoo Parking Project*（北京動物園停車項目）in Beijing, Zhongbei Town Canal Business District Government Cooperation Project*（中北鎮運河商務區政府合作項目）in Tianjin and many other projects have entered the formal operation stage, which not only alleviates the "parking difficulty" problem in some areas adhering to the implementation of the national policy, but is also recognised by the local government, further enhancing the Group's business competitiveness in the region.

- The Southeast Region has become the region with the fastest revenue growth in this year after a year of precipitation. In 2021, Shanghai Jintai Plaza Parking Lot Project*（上海金泰廣場停車場項目）, Nanjing Bailuzhou Park Parking Garage Project*（南京白鷺洲公園配套立體停車庫項目）, Nanjing Qinhong Road No.1 Underground Parking Garage Project*（南京秦虹路1號院地下停車庫項目）, Nanjing Lianhua Village Parking Garage Project*（南京蓮花村立體停車庫項目）, Nanjing Lotus Area Parking Management Project*（南京蓮花片區停車治理項目）and many other projects have entered the formal operation and construction stage. Among them, the Nanjing Bailuzhou Park Parking Garage Project*（南京白鷺洲公園配套立體停車庫項目）not only alleviates the problem of difficult parking in the surrounding area, but also erects a beautiful scenery in the old city area.

* *For identification purpose only*

- The Chengyu Region has won bids and put into operation for a number of projects in Chengdu and Chongqing during the year, the management scope was further expanded, and the concentration of project areas was further enhanced. In 2021, in Chengdu, Jinniu District Modern City No.1 Parking Garage Project*（金牛區現代都市1號港停車庫項目）, Dayi County Anren Ancient Town Parking Lot Project*（大邑縣安仁古鎮配套停車場項目）and Dujiangyan Water Street Parking Lot Project*（都江堰水街配套停車場項目）and other projects have been undertaken the operation, the Parking Garage of the Sino-Japanese Design Industrial Park Project*（中日設計產業園配套立體停車庫項目）in the city center is also nearly completed. In Chongqing, the Dadukou Wanda Plaza Garage Project*（大渡口萬達廣場配套立體車庫項目）and the Meidi Homeland Project*（美德家園項目）has been officially put into operation. At the same time, the Group also won the bid of Jiangbeizui Central Business District Binjiang Park Underground Parking Lot Project*（江北嘴中央商務區濱江公園地下停車場項目）, Dadukou District Jianqiao Lanjiang Pavilion Parking Garage Project*（大渡口區建橋攬江閣配套停車庫項目）, Dadukou District Yidu Ancient Town Parking Garage Project*（大渡口區義渡古鎮配套立體停車庫項目）and other projects.

- In regards to airports, the Group continues to seek expansion opportunities actively. At the existing project level, the Group signed the supplementary agreements on extending the operating period with Capital Airport Holding Company and Beijing Capital International Airport Co., Ltd., pursuant to which the Beijing Daxing International Airport Parking Building Project*（北京大興國際機場停車樓項目）and Beijing Capital International Airport Parking Lot Project*（北京首都國際機場停車場項目）have extended the operating period for 3 years accordingly. This extension shows the affirmation and trust from the business partner of the Group's parking business, especially the management capability of the transportation hub parking projects and conducive to maintaining the pattern of "two airports in one city" in Beijing of the Group. To a certain extent, it will make up for the losses caused by the adverse impact of the pandemic by the enhancement of airport infrastructure and passenger traffic. Besides, the overall revenue of the Group will improve by strengthen the business interaction and service extension of the two airport projects in Beijing. At the new extension project level, the Group successively acquired Henan Zhengzhou Airport Project*（河南鄭州機場項目）, Zhejiang Ningbo Airport Project*（浙江寧波機場項目）, Yunnan Zhaotong Airport Project*（雲南昭通機場項目）, Hebei Zhangjiakou Airport Project*（河北張家口機場項目）during the year and further consolidate the Group's leading position of airport parking management scale.

In terms of technology empowerment, the parking business continues to actively recruit experts in the industry, improve the technology team, and increase research and development investment. The iterative speed of "SONIC"*（速驛客）has been significantly accelerated, the application scenarios of the system have been continuously expanding, and the system functions have continued to be enriched. The team is also continuing to build platform-level and city-level solution capabilities, and has achieved breakthroughs in the City-Level Smart Parking Project in Baiyin City*（白銀市城市級智慧停車項目）, Gansu Province.

* *For identification purpose only*

In terms of lean operations, the parking business adheres to the whole-process management concept of "extension and transportation integration", focusing on time control, results presentation, responsibility definition, and synergy in each link from project establishment to final formal operation, and continues to optimise the process through regular review. At the same time, the Group adheres to the "two-hand focus" strategy. On the one hand, the Group focuses on cost savings and greatly reduces labor costs through technology. On the other hand, the Group focuses on value-added innovative business and the potential value of traditional parking lots. The Group expands the project's profit while maintaining the service quality of the park lots.

Although the normalisation of pandemic prevention and control will increase the difficulty of parking asset expansion and increase the operating cost of parking assets in the short term. From another side, it will also encourage the parking business to accelerate its core competitiveness, especially in technology-enabled capabilities, and improves operating efficiency in a longer operating cycle and shows better operating results. With the overall recovery of the economy in Mainland China, through the joint efforts of all employees in the parking business, the Group's parking business will achieve rapid and high-quality growth and better results in 2022.

* *For identification purpose only*

Infrastructure and real estate fund management business

In the area of infrastructure and real estate fund management, the Group adopts the real estate financial model of "funds + bases + industries" to participate in the development, management, operation, and exit of industrial entities, to cover industrial resources by fund investments and increase the value of the assets. The Group's infrastructure and real estate fund management business achieves a rapid development in 2021 and the scale of new fund is nearly 10 billion. With the successful opening of the 2022 Beijing-Zhangjiakou Winter Olympic Games, which has driven the popularity of the Beijing West Business Circle*（京西商業圈）and Shougang Park*（首鋼園區）, the Chang'an Mills project*（「六工匯」項目）on West Chang'an Street in Beijing run by the Group will become the first large-scale commercial complex in Shougang Park to serve the Winter Olympics and surrounding citizens. Part of the equity investments are going to enter into the exit period and bring a considerable excess return gradually. Benefitting from the advance layout in the field of Public Offering REITs, with the advancement of the pilot program of Public Offering REITs in Mainland China, the Group has established a first-mover advantage in this field.

In 2021, the infrastructure and real estate fund management business recorded revenue of HK$558 million, representing an increase of 162% as compared of last year. The recorded profit before tax was HK$428 million, representing an increasing of 131% as compared of last year.

In terms of business expansion and lean operation, the infrastructure and real estate fund management business focused on building its abilities and refining its products, upholding the "precise investment + lean operation" belief, and thereby realising the transformation from fund management to asset management.

The Group's equity investment business centered on the parking business adheres to the concept of "keep straight and be innovative, incubating with ecology". On one hand, to be "innovative" outside the core business and earn profits for the Group through financial investments. On the other hand, to provide an ecological platform to promote innovation and incubation in core business industry.

During the year, the Group is still making equity investments in key tracks. The new investment projects of the Group relate to intelligent driving solutions for vehicles and related fields such as artificial intelligence chips. For some parts of funds under management, a considerable investment return was achieved and the distribution of income has commenced. During the year, one of the fund investments had started income distribution and brought the first batch of excess returns (before tax) of HK$258 million to the Group. With the withdrawal of the invested projects, the funds currently managed by the Group will gradually be distributed, which will generate considerable returns.

In 2021, with the successful launch of the first batch of public REITs products in China, the Group has ushered in the era of public REITs for infrastructure in China. Infrastructure assets with long-term stable cash flow are recognised as high-quality Public Offering REITs underlying assets, which are the characteristics of the Group's parking business and urban renewal assets. On 29 June 2021, the National Development and Reform Commission issued the "Notice by the National Development and Reform Commission of Further Effectively Completing the Work of the Pilot Program of Real Estate Investment Trust (REITs) in the Infrastructure Field", which further expanded the pilot industry scope of Public Offering REITs and parking lot projects were included. In the future, the Group will take advantage of the pilot program of Public Offering REITs to seek new exit paths for self-owned high-quality infrastructure assets.

* *For identification purpose only*

The Group is committed to becoming a leader in the field of Public Offering REITs in China. By taking advantage of opportunities in the era of Public Offering REITs, the Group participated 6 Public Offering REITs strategic placement in the first half of 2021, and invested in second batch of Public Offering REITs products through the investment of private fund in second half of the year. Through strategic placing investment in first batch of Public Offering REITs, the Group is expected to establish a first-mover position in the initial stage of the Public Offering REITs market and gradually expand the management scale of investment funds. In addition, the Group will continue to cooperate with the original stakeholders of Public Offering REITs, and further optimize the business model of the Group.

In addition, the Group launched a green infrastructure development fund with a scale of RMB4.5 billion with China Life Insurance Company Limited ("**China Life Investment**") and Beijing Shougang Fund Co., Ltd. ("**Shougang Fund**"). The Group will gain comprehensive experience in asset management and fund management through the establishment of this fund. The establishment of the fund will also absorb high quality infrastructure assets for the issuance or raising of public REITs products, and ultimately realising the Company's strategic goal of "pre-REITs fund acquisition + platform operation management + public REITs issuance and exit + REITs strategic placing investment" in the field of REITs, and achieving the layout of opening up the whole chain of closed-loop business and closed-loop capital.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group focuses on the parking business and infrastructure and real estate fund management business.

The Group formulates financial risk policies under the directives of the Board, managing financial risk, foreign currency risk, interest rate risk and trading counterparties' credit risk. The Group also targets to ensure that adequate financial resources are available for business growth.

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 of 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 2021 as compared to 31 December 2020 are summarised below:

	As at 31 December 2021 ***HK$ Million***	As at 31 December 2020 *HK$ Million*
Bank balances and cash	**2,573**	3,739
Wealth management products and fixed income financial assets	**1,096**	887
Total borrowings	**753**	483
Equity attributable to the owners of the Company	**10,141**	11,772
Debt equity ratio[Δ]	**7.4%**	4.1%

Δ Debt equity ratio = Total borrowings/Equity attributable to the owners of the Company

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

The Group 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. The Group also targets 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 2021, 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$4.55 million (2020: HK$10.36 million) higher/lower.

3. Financing Activities

As at 31 December 2021, the Group's balance of term loan financing from bank was HK$753 million, which was for investing in the 25 years of operation rights of the Beijing Daxing International Airport Parking Building* (北京大興國際機場停車樓) and Nanjing Jianye First Cheng Smart City Development Fund Project* (南京建鄴首程智慧城市發展基金項目).

USE OF PROCEEDS

1. On 11 December 2019, the Company completed the allotment and issuance of 300,000,000 new ordinary shares (1,500,000,000 new ordinary shares before the share consolidation with effect from 30 March 2020 ("**Share Consolidation**")) to JD Fountain Technology (Hong Kong) Limited and received net proceeds of approximately HK$450 million. As at 31 December 2021, the Group applied the proceeds in the following manner:

Intended use of net proceeds	Amount of the net proceeds raised *HK$ million*	Amount of the unutilised net proceeds as at 1 January 2021 *HK$ million*	Amount of the utilised net proceeds during the year ended 31 December 2021 *HK$ million*	Amount of the unutilised net proceeds as at 31 December 2021^ *HK$ million*	Expected timeline for the use of the unutilised net proceeds
Invest in the Group's parking business, used for the Group's existing capital injection commitment, rental deposit and the development of new parking assets	270	270	270	–	Not applicable
Invest in the Group's infrastructure and real estate fund management business	112	112	112	–	Not applicable
General working capital	68	68	68	–	Not applicable
Total	450	450	450	–	

^ The full amount of the net proceeds have been applied in the manner disclosed in the Company's announcements on 29 November 2019 and 14 February 2020.

2. On 17 January 2020, the Company completed the allotment and issuance of 18,666,666 new ordinary shares (93,333,333 ordinary shares before the Share Consolidation) ("**Shougang Subscription**") to Shougang Holding and the allotment and issuance of the convertible bonds ("**CB Subscription**") with an aggregate principal amount of approximately HK$1,231,685,000 to Mountain Tai Peak I Investment Limited ("**Mountain Tai Peak**"), Matrix Partners China V, L.P. ("**Matrix Partners V**") and Matrix Partners China V-A, L.P. ("**Matrix Partners V-A**"), and received a total net proceeds of approximately HK$1,256 million.

As at 30 April 2021, the Company has not utilised any of the proceeds from the Shougang Subscription and CB Subscription. The Company decided to reallocate the amount for the use of net proceeds. As stated in the section headed "Infrastructure and real estate fund management business" above, the launch of the Public Offering REITs has created new asset securitization opportunities for the Group's high-quality parking and urban renewal asset projects. Therefore, the Company believes that more resources should be allocated to invest in Public Offering REITs in order to (i) further establish the Group's first-mover position in the Public Offering REITs in urban redevelopment and (ii) fully understand the Public Offering REITs market, so as to prepare for future independent issuance of Public Offering REITs. The reallocation of net proceeds raised will give the Group a greater flexibility in cash flow management, enrich its financial resources, and at the same time reserve the right to use the unutilised net proceeds for its original business development plan when suitable opportunities arise. This also enables the Group to satisfy its operational needs while seizing market opportunities and optimizing the Group's business model.

As at 31 December 2021, the Group applied the proceeds in the following manner:

Intended use of net proceeds	**Amount of the net proceeds raised**	**Amount of the utilised net proceeds as at 30 April 2021**	**Revised allocation of amount of the unutilised net proceeds as at 30 April 2021**	**Amount of the utilised net proceeds between 1 May 2021 to 31 December 2021**	**Amount of the unutilised net proceeds as at 31 December 2021**	**Expected timeline for the use of the unutilised net proceeds#**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	
Invest in the Group's parking business, used for the Group's existing capital injection commitment, rental deposit and the development of new car parking assets	754	–	250	163	87	By the end of 2023
Invest in the Group's infrastructure and real estate fund management business	314	–	962	962	–	Not applicable
General working capital	188	–	44	2	42	By the end of 2023
Total	1,256	–	1,256	1,127	129	

The Company intends to apply the remaining net proceeds raised in accordance with (i) the indicative timetable set forth above; and (ii) in the manner disclosed in the Company's announcement on 29 November 2019 and 14 February 2020 (same where allocation of unutilised net proceeds is revised as per above).

3. On 21 February 2020, the Company completed the allotment and issuance of 300,000,000 new ordinary shares (1,500,000,000 shares before the Share Consolidation) ("**FTLife Subscription**") to FTLife Insurance Company Limited ("**FTLife Insurance**") (an indirect wholly-owned subsidiary of NWS Holdings Limited) with net proceeds of approximately HK$450 million. As at 31 December 2021, the Group applied the proceeds in the following manner:

Intended use of net proceeds	**Amount of the net proceeds raised** *HK$ million*	**Amount of the unutilised net proceeds as at 1 January 2021** *HK$ million*	**Amount of the utilised net proceeds during the year ended 31 December 2021** *HK$ million*	**Amount of the unutilised net proceeds as at 31 December 2021** *HK$ million*	**Expected timeline for the use of the unutilised net proceeds#**
Invest in the Group's parking business, used for the Group's existing capital injection commitment, rental deposit and the development of new parking assets	270	270	–	270	By the end of 2023
Invest in the Group's infrastructure and real estate fund management business	112	112	97	15	By the end of 2023
General working capital	68	68	–	68	By the end of 2023
Total	450	450	97	353	

\# The Company intends to apply the remaining net proceeds in accordance with the indicative timetable set forth above and in the manner disclosed in the Company's announcement on 14 February 2020.

4. On 10 August 2020, completion under 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, with net proceeds of approximately HK$295 million, has taken place. As at 31 December 2021, the Group applied the proceeds in the following manner:

Intended use of net proceeds	**Amount of the net proceeds raised** *HK$ million*	**Amount of the unutilised net proceeds as at 1 January 2021** *HK$ million*	**Amount of the utilised net proceeds during the year ended 31 December 2021** *HK$ million*	**Amount of the unutilised net proceeds as at 31 December 2021** *HK$ million*	**Expected timeline for the use of the unutilised net proceeds#**
Financing the expansion of the Group's business in management and operation of car parking as-sets in Guangdong-Hong Kong-Macau Greater Bay Area and technology innovation of the Group	295	295	–	295	By the end of 2023
Total	295	295	–	295	

\# The Company intends to apply the remaining net proceeds in accordance with the indicative timetable set forth above and in the manner disclosed in the Company's announcement on 28 July 2020.

5. 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. As at 31 December 2021, the Group applied the proceeds in the following manner:

Intended use of net proceeds	**Amount of the net proceeds raised** *HK$ million*	**Amount of the utilised net proceeds during the year ended 31 December 2021** *HK$ million*	**Amount of the unutilised net proceeds as at 31 December 2021** *HK$ million*	**Expected timeline for the use of the unutilised net proceeds#**
Invest in the Group's parking business, used for the Group's existing capital injection commitment, rental deposit and the development of new parking assets	168	–	168	By the end of 2023
Invest in the Group's infrastructure and real estate fund management business	168	–	168	By the end of 2023
General working capital	83	–	83	By the end of 2023
Total	419	–	419	

The Company intends to apply the remaining net proceeds in accordance with the expected indicative timetable set forth above and in the manner disclosed in the Company's announcement on 3 February 2021.

MATERIAL ACQUISITIONS & DISPOSALS

Save as disclosed below, there was no other material acquisitions or disposals by the Group during the year.

(a) Very Substantial Disposal

On 15 January 2021, Shoujing Yifei Holdings Limited ("**Shoujing Yifei**"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "**Sale and Purchase Agreement**") with King Rich Group Limited ("**King Rich**"), a connected person of the Company, pursuant to which Shoujing Yifei has conditionally agreed to sell, and King Rich has conditionally agreed to purchase, the sale shares (the "**Sale 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 directly and indirectly 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, Shoujing Yifei and King Rich entered into a supplemental agreement to amend and restate the Sale and Purchase Agreement to the effect that:

i) The term "Sale Shares" was amended to mean one ordinary share in the issued capital of Excel Bond, which represents the entire issued share capital of Excel Bond (the "**Revised Sale Share**"). At completion, Excel Bond will indirectly hold 600,000,000 shares of Shougang Resources which represents 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 Group 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 Sale and Purchase Agreement.

On 28 May 2021, the Amended and Restated Sale and Purchase Agreement and other transactions contemplated thereunder was approved in a general meeting of the Company. Despite the amendment and restatement of the Sale and Purchase Agreement above, there was no change in overall business plan of disposal of all interests of Shougang Resources held by the Group.

The equity interest in Shougang Resources classified as held for sale during the year was measured at the lower of the carrying amount or fair value less cost to sell at the time of the reclassification and re-measured at each period end. It was reclassified from investment in associate to asset classified as held for sale and measured at fair value less cost to sell on 15 January 2021. It was subsequently re-measured at its fair value less cost to sell as at 31 December 2021. The total impairment loss recognised during the year ended 31 December 2021 was HK$1,615,179,000. The fair value of the equity interest of Shougang Resources was determined with reference to the market price of Shougang Resources as at 15 January 2021 and 31 December 2021 respectively.

On 27 January 2022, all the conditions precedent of the Amended and Restated Sale and Purchase Agreement have been satisfied and the sale of the entire issued share capital of Excel Bond, which represented 11.88% of all issued shares of Shougang Resources, took place.

For further details of the aforesaid Disposal, please refer to the announcements of the Company dated 15 January 2021, 18 February 2021, 28 May 2021, 29 July 2021 and 27 January 2022 and the circular dated on 30 April 2021.

EVENTS OCCURRING AFTER THE REPORTING PERIODS

(a) Completion of the Disposal

Completion of the Disposal took place on 27 January 2022. For further details, please refer to the announcement of the Company dated 27 January 2022.

(b) Declaration of special dividend

The Board declared a special dividend in the aggregate amount of HK$200 million, comprising the first tranche of HK$100 million was paid on 14 March 2022 to the shareholders whose names appear on the register of members of the Company on 3 March 2022. The second tranche of HK$100 million is payable on 31 October 2022 to the shareholders whose names appear on the register of members of the Company on 20 October 2022. For details of the declaration of special dividend, please refer to the announcement of the Company dated 15 February 2022.

(c) Share buy-back program

The Board approved a program to buy-back up to HK$300 million in value of the Company's shares at a price not exceeding HK$2.75 per Share from the open market over a period of two years, commencing 15 February 2022 and ending 14 February 2024. For further details, please refer to the announcement of the Company dated 15 February 2022.

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

After the COVID-19 outbreak in early 2022, a series of precautionary and control measures have been and continued to be implemented across the country/region. 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. 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.

CAPITAL STRUCTURE

The Company issued a total of 210,000,000 new shares during the year ended 31 December 2021.

As at 31 December 2021, the issued share capital of the Company was HK$12,546,847,000 (represented by 7,291,017,194 issued ordinary shares).

EMPLOYEES RELATIONSHIP

The Group had a total of 512 employees as at 31 December 2021. All subsidiaries of the Company promote equal employment opportunities. The Group strictly complies with regulations of state and local governments and adopts a fair, just and open recruitment process in order to provide employees with an equal, diverse and discrimination-free working environment. In the process of recruitment, training and promotion, the Group provides equal treatment to all candidates to safeguard employees' rights and interests.

The Group's remuneration policy is to ensure that employees receive a fair and competitive overall remuneration package. Based on the principle of "competitive externally, fair internally", the Group has established a remuneration incentive mechanism with "fixed salary as basis and performance linked remuneration as main component" that is based on position value, ability, and contribution to performance, in order to motivate and retain existing employees. By making full use of a variety of long-term and short-term incentives, the Group seeks to attract and retain talented employees to achieve the Group's strategic goals together.

Remuneration packages are designed based on the practices of the locations of the Group's various businesses.

Remuneration packages for Hong Kong employees include salary, discretionary bonus, medical allowance, hospitalisation plans and a share option scheme to subscribe for the Company's ordinary shares. All Hong Kong subsidiaries of the Company provide retirement fund schemes for Hong Kong employees as part of employee welfare.

Remuneration packages for Mainland China employees include salary, discretionary bonus, project bonus, medical allowance and a share option scheme to subscribe for the Company's ordinary shares as part of employee welfare. To fully cover the needs of employees, the Group also provides social insurance welfare (i.e. pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund) as well as annual medical checks for all employees according to state regulations.

In addition, to strengthen employees' sense of belonging, the Group arranges a variety of recreational activities for all employees to strengthen team cohesion, and a town hall meeting to commend excellent individual and team performances.

The Company adopted the share incentive plan in 2021. The scope of the participants include executive directors, core management, technical and business backbone personnel of the Group. The purposes of the share incentive plan are to align the interests of employees, Company and the Shareholders for the Group's long-term development, to attract, motivate and retain talent, to establish and improve the long-term incentive mechanism of the Group, with a view to achieving the objectives of further enhancing Shareholders' value. For further details, please refer to (i) the announcements of the Company dated 29 July 2021, 12 October 2021, and 5 November 2021; and (ii) the circular of the Company dated 15 October 2021.

PROSPECTS

The Group's business development and operation have overcome the challenge from the market in 2021. The Group's risk resistance was strengthened under the accumulation of management experience, a favorable business foundation, the dividend policy of Public Offering REITs and the fully financial and resources support from the shareholders as always and drives to the sustainable growth under the unfavorable market. In the case that the economy is fully recovered, the Group is in the faith that the two core businesses are going to have a more rapid development in 2022.

The Group endeavors to be leader in parking asset management business in Mainland China and the pioneer in infrastructure and real estate fund management business.

In the area of parking business, the Group upholds the principle of "key cities, core locations, quality parking spaces" and continues to steadily digging deep, polishing three mainstream business, including transportation hubs, municipal facilities, and commercial offices and constructing a regional grade static all-in-one integrated traffic combined service network.

The infrastructure and real estate fund management business focused on the quality of abilities and product refinement, whilst upholding the "precise investment + lean operation" belief, and turned fund management to asset management.

At the same time, the synergy between the infrastructure and real estate fund management business and the parking business has further strengthened, laying a solid foundation for the Group's strong development in the future. Infrastructure and real estate fund management business will focus on smart travel, contribute to innovation and incubation, and further use the excess returns from investment exit to quickly complete the accumulation and aggregation of funds. This will provide extended opportunities and growth for the parking businesses, and the support of the industrial chain has created strong synergies for the Group's intensively cultivated parking business.

With the advancement of the work on the pilot program of Public Offering REITs in Mainland China, infrastructure assets with good quality in parking business and infrastructure and real estate fund management business, together with the Group's ability in the fund management industry, going toward national policy orientation, high consistency of regional layout of existing good quality assets with the major districts on which policies focus, it is believed that there is a promising prospect in this industry.

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 2021. 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 2021 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, 30 March 2022

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

* *For identification purpose only*