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**首長四方（集團）有限公司\***  
**SHOUGANG CONCORD GRAND (GROUP) LIMITED**

*(Incorporated in Bermuda with limited liability)*

*(Stock Code: 730)*

**FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “Board”) of Shougang Concord Grand (Group) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2017 with comparative figures for the year ended 31 December 2016. These final results have been reviewed by the Audit Committee of the Company.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31 DECEMBER 2017*

	NOTES	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>			
Revenue	2	109,512	106,578
Cost of sales		(50,380)	(61,130)
Gross profit		59,132	45,448
Other income	4	4,400	11,451
Distribution costs and selling expenses		(993)	(672)
Administrative expenses		(40,530)	(33,248)
Increase in fair value of investment properties		10,781	4,670
Changes in fair value of held-for-trading investments		67	806
Gain on disposal of available-for-sale investment		274	–
Impairment loss reversed (recognised) on finance lease receivables	14	672	(44,055)
Finance costs	5	(2,445)	(264)
Share of results of an associate		(11,947)	(25,349)
Impairment loss on interest in an associate	13	(9,626)	(43,019)
Profit (loss) before tax		9,785	(84,232)
Income tax (expense) credit	6	(12,206)	2,564
Loss for the year from continuing operations	7	(2,421)	(81,668)

	NOTES	2017 HK\$'000	2016 HK\$'000
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	22	–	(304)
Loss for the year		<u>(2,421)</u>	<u>(81,972)</u>
Other comprehensive income (expenses):			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation to presentation currency		96,973	(68,269)
Share of translation difference of an associate		<u>23,228</u>	<u>(21,657)</u>
		120,201	(89,926)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of investment revaluation reserve movements of an associate		<u>(1,655)</u>	<u>(614)</u>
Other comprehensive income (expenses) for the year		<u>118,546</u>	<u>(90,540)</u>
Total comprehensive income (expenses) for the year		<u>116,125</u>	<u>(172,512)</u>
Loss for the year attributable to owners of the Company:			
– from continuing operations		(11,332)	(82,101)
– from discontinued operation		–	(274)
		<u>(11,332)</u>	<u>(82,375)</u>
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operations		8,911	433
– from discontinued operation		–	(30)
		<u>8,911</u>	<u>403</u>
		<u>(2,421)</u>	<u>(81,972)</u>
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		83,646	(156,309)
Non-controlling interests		<u>32,479</u>	<u>(16,203)</u>
		<u>116,125</u>	<u>(172,512)</u>
Loss per share	9		
From continuing and discontinued operations			
Basic and diluted		<u>HK(0.42) cents</u>	<u>HK(3.08) cents</u>
From continuing operations			
Basic and diluted		<u>HK(0.42) cents</u>	<u>HK(3.07) cents</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017**

	<i>NOTES</i>	<b>2017</b> <b>HK\$'000</b>	<b>2016</b> <b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>17,134</b>	15,977
Investment properties	<i>11</i>	<b>117,663</b>	123,038
Goodwill	<i>12</i>	<b>52,935</b>	52,935
Interests in associates	<i>13</i>	<b>204,325</b>	204,325
Finance lease receivables	<i>14</i>	<b>1,027,923</b>	1,118,560
Available-for-sale investment	<i>15</i>	–	4,667
Restricted bank deposits		–	15,191
Deferred tax assets		<b>22,069</b>	20,222
		<b>1,442,049</b>	1,554,915
<b>Current assets</b>			
Finance lease receivables	<i>14</i>	<b>858,906</b>	734,960
Trade receivables	<i>16</i>	–	1
Prepayments, deposits and other receivables		<b>5,997</b>	4,241
Held-for-trading investments	<i>17</i>	<b>3,923</b>	4,844
Amount due from an associate		–	388
Structured deposit	<i>18</i>	<b>12,048</b>	11,111
Restricted bank deposits		<b>19,811</b>	11,415
Bank balances and cash		<b>288,221</b>	202,597
		<b>1,188,906</b>	969,557
<b>Current liabilities</b>			
Other payables and accruals		<b>26,567</b>	30,724
Income received in advance		<b>7,589</b>	7,839
Rental and management fee received in advance and other deposits received		<b>548</b>	764
Tax liabilities		<b>23,807</b>	14,613
Secured bank borrowings – due within one year	<i>19</i>	<b>535,048</b>	463,875
Security deposits received – due within one year		<b>54,261</b>	12,158
		<b>647,820</b>	529,973
<b>Net current assets</b>		<b>541,086</b>	439,584
<b>Total assets less current liabilities</b>		<b>1,983,135</b>	1,994,499

	<i>NOTES</i>	<b>2017</b> <b><i>HK\$'000</i></b>	2016 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital	20	<b>26,722</b>	26,722
Retained earnings		<b>524,192</b>	518,281
Other reserves		<b>731,003</b>	653,268
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>1,281,917</b>	1,198,271
Non-controlling interests		<b>297,540</b>	265,061
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,579,457</b>	1,463,332
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Income received in advance		<b>3,678</b>	6,018
Secured bank borrowings – due after one year	19	<b>361,446</b>	464,593
Security deposits received – due after one year		<b>38,554</b>	60,556
		<hr/>	<hr/>
		<b>403,678</b>	531,167
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,983,135</b>	1,994,499
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Attributable to owners of the Company										
	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Contributed surplus reserve	Translation reserve	Share options reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note (a))						
At 1 January 2016	26,722	604,068	7,392	2,269	115,576	(29,600)	28,081	600,072	1,354,580	281,446	1,636,026
(Loss) profit for the year	-	-	-	-	-	-	-	(82,375)	(82,375)	403	(81,972)
Exchange differences on translation to presentation currency	-	-	-	-	-	(51,663)	-	-	(51,663)	(16,606)	(68,269)
Share of translation difference of an associate	-	-	-	-	-	(21,657)	-	-	(21,657)	-	(21,657)
Share of investment revaluation reserve movements of an associate	-	-	-	(614)	-	-	-	-	(614)	-	(614)
Other comprehensive expenses for the year	-	-	-	(614)	-	(73,320)	-	-	(73,934)	(16,606)	(90,540)
Total comprehensive expenses for the year	-	-	-	(614)	-	(73,320)	-	(82,375)	(156,309)	(16,203)	(172,512)
Lapse of share options	-	-	-	-	-	-	(584)	584	-	-	-
Disposal of a subsidiary (Note 22)	-	-	-	-	-	-	-	-	-	(182)	(182)
At 31 December 2016	26,722	604,068	7,392	1,655	115,576	(102,920)	27,497	518,281	1,198,271	265,061	1,463,332
(Loss) profit for the year	-	-	-	-	-	-	-	(11,332)	(11,332)	8,911	(2,421)
Exchange differences on translation to presentation currency	-	-	-	-	-	73,405	-	-	73,405	23,568	96,973
Share of translation difference of an associate	-	-	-	-	-	23,228	-	-	23,228	-	23,228
Share of investment revaluation reserve movements of an associate	-	-	-	(1,655)	-	-	-	-	(1,655)	-	(1,655)
Other comprehensive (expenses) income for the year	-	-	-	(1,655)	-	96,633	-	-	94,978	23,568	118,546
Total comprehensive (expenses) income for the year	-	-	-	(1,655)	-	96,633	-	(11,332)	83,646	32,479	116,125
Lapse of share options	-	-	-	-	-	-	(17,243)	17,243	-	-	-
At 31 December 2017	26,722	604,068	7,392	-	115,576	(6,287)	10,254	524,192	1,281,917	297,540	1,579,457

**Notes:**

- (a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfer and utilisation as mentioned in Note (b) below.
- (b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK\$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK\$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

## NOTES

### 1. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### ***Estimated impairment of finance lease receivables***

When there is objective evidence of impairment loss such as overdue and default in repayment, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows with reference to the future settlement schedule (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. The fair value of the pledged assets is determined with reference to the relevant market information or valuation result performed by independent valuer. The Group also takes into consideration the financial positions and the guarantee of the relevant customers, the expected timing, legal possession status and other uncertainties on realising the pledged assets. Where the present value of estimated future cash flows or the fair value of the pledged assets less cost to sell are less than expected, a material impairment loss may arise.

During the year ended 31 December 2017, impairment loss of approximately HK\$672,000 has been reversed (2016: HK\$44,055,000 has been recognised) for finance lease receivables. As at 31 December 2017, the carrying amount of finance lease receivables is approximately HK\$1,886,829,000, net of accumulated impairment losses of HK\$97,315,000 (2016: HK\$1,853,520,000, net of accumulated impairment losses of HK\$111,661,000). Details of the impairment of finance lease receivables are disclosed in Note 14.

#### ***Estimated impairment of interest in an associate***

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the recoverable amount of an associate which is the higher of value in use and fair value less costs to sell. The Group has carried out impairment testing to determine whether the Group's interest in an associate, Global Digital Creations Holdings Limited ("GDC"), is impaired as indicated by the decline in the financial performance and the quoted market price of the shares of GDC and the impairment loss recognised in relation to GDC's properties interest under construction and construction deposit based on the civil judgment on the legal proceedings. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associate with key assumptions including budgeted revenue, gross margins, growth rates, discount rate and the impact on cash flow as results of the legal proceedings. Where the actual future cash flows are less than expected or change in facts and circumstances which results a downward revision of future cash, a material impairment loss/further impairment loss may arise.

During the year ended 31 December 2017, impairment loss of approximately HK\$9,626,000 (2016: HK\$43,019,000) has been recognised for interest in an associate. As at 31 December 2017, the carrying amount of interests in associates is approximately HK\$204,325,000, net of accumulated impairment losses of HK\$149,639,000 (2016: HK\$204,325,000, net of accumulated impairment losses of HK\$140,013,000). Details of the recoverable amount calculation are disclosed in Note 13.

### ***Estimated impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units ("CGU") to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results a downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is approximately HK\$52,935,000, net of accumulated impairment losses of HK\$201,854,000 (2016: HK\$52,935,000, net of accumulated impairment losses of HK\$201,854,000).

## **2. REVENUE**

An analysis of the Group's revenue for the year is as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 <b>HK\$'000</b>
Finance leasing and other financial services income		
Interest income	<b>96,557</b>	93,652
Handling fee	<b>9,339</b>	7,295
Consultancy fee income	–	329
Other financial services income	–	691
Property leasing income	<b>3,616</b>	4,611
	<b>109,512</b>	106,578

## **3. SEGMENT INFORMATION**

Information reported to the chief operating decision maker ("CODM"), being the Managing Director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is also the basis of organisation of the Group, is set out below.

The Group is currently organised into three operating divisions – finance leasing and other financial services, property leasing and building management services and assets management where assets management segment is engaged in investment holding.

The trading of goods operation previously under assets management segment was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the results of the trading of goods operation for the year ended 31 December 2016 had been excluded in the segment information and presented as discontinued operation. Details of the discontinued operation is set out in Note 22.

## Segment revenue and results

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

### *For the year ended 31 December 2017*

#### Continuing operations

	Finance leasing and other financial services <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>105,896</u>	<u>3,616</u>	<u>–</u>	<u>109,512</u>
Segment result	<u>46,452</u>	<u>13,604</u>	<u>752</u>	<u>60,808</u>
Other income				525
Central administration costs				(27,597)
Changes in fair value of held-for-trading investments				67
Finance costs				(2,445)
Share of results of an associate				(11,947)
Impairment loss on interest in an associate				<u>(9,626)</u>
Profit before tax				<u>9,785</u>

### *For the year ended 31 December 2016*

#### Continuing operations

	Finance leasing and other financial services <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>101,967</u>	<u>4,611</u>	<u>–</u>	<u>106,578</u>
Segment result	<u>(2,960)</u>	<u>8,496</u>	<u>133</u>	<u>5,669</u>
Other income				248
Central administration costs				(22,323)
Changes in fair value of held-for-trading investments				806
Finance costs				(264)
Share of results of an associate				(25,349)
Impairment loss on interest in an associate				<u>(43,019)</u>
Loss before tax				<u>(84,232)</u>



Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including Directors' salaries, certain other income, changes in fair value of held-for-trading investments, finance costs, share of results of an associate and impairment loss on interest in an associate. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

### Segment assets and liabilities

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Segment assets</b>		
Finance leasing and other financial services	2,259,787	2,152,777
Property leasing and building management services	118,000	123,329
Assets management	25,649	22,768
	<hr/>	<hr/>
Total segment assets	2,403,436	2,298,874
Interests in associates	204,325	204,325
Held-for-trading investments	3,923	4,844
Structured deposit	12,048	11,111
Other unallocated corporate assets	7,223	5,318
	<hr/>	<hr/>
Consolidated assets	<u>2,630,955</u>	<u>2,524,472</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Finance leasing and other financial services	1,014,457	1,035,927
Property leasing and building management services	593	886
Assets management	586	545
	<hr/>	<hr/>
Total segment liabilities	1,015,636	1,037,358
Unallocated secured bank borrowings	31,273	18,917
Other unallocated corporate liabilities	4,589	4,865
	<hr/>	<hr/>
Consolidated liabilities	<u>1,051,498</u>	<u>1,061,140</u>

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

- all assets are allocated to reportable segments other than interests in associates, held-for-trading investments, structured deposit and other unallocated corporate assets (including primarily unallocated property, plant and equipment, bank balances and cash and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for finance leasing and other financial services and other unallocated corporate liabilities.

## Geographical information

The Group operates in two principal geographical areas – Mainland China (for the purpose of this announcement, “Mainland China” refers to the mainland of the Peoples Republic of China (the “PRC”) and does not include Hong Kong, Macau and Taiwan) and Hong Kong.

The Group’s revenue from external customers by location of the relevant subsidiary’s operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2017 HK\$’000	2016 HK\$’000	2017 HK\$’000	2016 HK\$’000
Mainland China	107,387	102,711	47,760	44,652
Hong Kong	2,125	3,867	87,037	94,363
	<u>109,512</u>	<u>106,578</u>	<u>134,797</u>	<u>139,015</u>

*Note:* Non-current assets exclude available-for-sale investment, goodwill, interests in associates, other financial assets and deferred tax assets.

## Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group under reportable segment of finance leasing and other financial services for the corresponding years are as follows:

	2017 HK\$’000	2016 HK\$’000
Customer A	29,628	27,351
Customer B	28,438	27,007
Customer C	<u>28,435</u>	<u>29,350</u>

## 4. OTHER INCOME

	2017 HK\$’000	2016 HK\$’000
Interest income from bank deposits	3,583	7,731
Dividend income from held-for-trading investments	41	40
Interest penalty received on overdue finance lease receivables	–	3,439
Others	<u>776</u>	<u>241</u>
	<u>4,400</u>	<u>11,451</u>

## 5. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings	52,825	61,394
Less: amount included in cost of sales	<u>(50,380)</u>	<u>(61,130)</u>
	<u><b>2,445</b></u>	<u><b>264</b></u>

Included in cost of sales are interest on bank borrowings amounting to HK\$47,603,000 (2016: HK\$58,334,000) and amortisation of loan raising costs amounting to HK\$2,777,000 (2016: HK\$2,796,000) under the finance leasing and other financial services segment.

## 6. INCOME TAX EXPENSE (CREDIT)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong	42	124
PRC Enterprise Income Tax ("EIT")	<u>12,302</u>	<u>10,647</u>
	12,344	10,771
Overprovision in prior years:		
PRC EIT	–	(3,013)
Deferred taxation	<u>(138)</u>	<u>(10,322)</u>
	<u><b>12,206</b></u>	<u><b>(2,564)</b></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in Mainland China was 25% (2016: 25%).

The income tax expense (credit) for the year can be reconciled to the profit (loss) before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit (loss) before tax	<b>9,785</b>	(84,232)
Tax calculated at PRC EIT rate of 25%	2,446	(21,058)
Tax effect on share of results of an associate	2,987	6,337
Tax effect of expenses not deductible for tax purposes	2,591	10,963
Tax effect of income not taxable for tax purposes	(2,752)	(1,745)
Tax effect of tax losses not recognised	6,989	5,654
Effect of different tax rates of subsidiaries operating in other jurisdiction	(118)	(22)
Overprovision in prior years	–	(3,013)
Deferred tax effect of Land Appreciation Tax (“LAT”) in respect of change in fair value of investment property located in Mainland China	(191)	449
Others	254	(129)
Income tax expense (credit) for the year	<b>12,206</b>	(2,564)

## 7. LOSS FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including the Directors’ and chief executive’s remuneration:		
– Fees	910	910
– Salaries, wages and other benefits	23,908	20,301
– Retirement benefit scheme contributions	519	692
Total staff costs	<b>25,337</b>	21,903
Auditor’s remuneration	1,637	1,594
Depreciation of property, plant and equipment	620	548
Gain on disposal of property, plant and equipment	11	–
Exchange gain, net	(5)	(115)
Gross rent from investment properties	(3,616)	(4,611)
Less: direct operating expenses from investment properties that generated rental income during the year	305	353
	<b>(3,311)</b>	(4,258)

## 8. DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2017 and 2016, and no dividend has been proposed since the end of the reporting period.

## 9. LOSS PER SHARE

### From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(11,332)	(82,375)
Less:		
Loss for the year from discontinued operation	<u>–</u>	<u>(274)</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u><u>(11,332)</u></u>	<u><u>(82,101)</u></u>
	2017 <i>'000</i>	2016 <i>'000</i>
Number of ordinary shares for the purposes of basic and diluted loss per share	<u><u>2,672,192</u></u>	<u><u>2,672,192</u></u>

For the year ended 31 December 2017 and 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

### From continuing and discontinued operations

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u><u>(11,332)</u></u>	<u><u>(82,375)</u></u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

### From discontinued operation

For the year ended 31 December 2016, basic and diluted loss per share for the discontinued operation was HK0.01 cents per share, based on the loss for the year from the discontinued operation of HK\$274,000 and the denominators detailed above for both basic and diluted loss per share.

# 10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i> <i>(Note)</i>	Leasehold improvements <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>				
At 1 January 2016	21,299	2,023	6,471	29,793
Exchange realignment	(1,091)	(3)	(79)	(1,173)
Additions	—	—	59	59
Disposals	—	(59)	(199)	(258)
Disposal of a subsidiary ( <i>Note 22</i> )	—	—	(486)	(486)
Written off	—	—	(77)	(77)
At 31 December 2016	20,208	1,961	5,689	27,858
Exchange realignment	1,565	4	99	1,668
Additions	—	—	462	462
Disposals	—	—	(332)	(332)
Written off	—	—	(227)	(227)
At 31 December 2017	21,773	1,965	5,691	29,429
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
At 1 January 2016	4,057	2,009	6,212	12,278
Exchange realignment	(154)	(3)	(73)	(230)
Provided for the year	457	12	158	627
Eliminated on disposals	—	(59)	(199)	(258)
Eliminated on disposal of a subsidiary ( <i>Note 22</i> )	—	—	(460)	(460)
Eliminated on written off	—	—	(76)	(76)
At 31 December 2016	4,360	1,959	5,562	11,881
Exchange realignment	248	4	101	353
Provided for the year	480	2	138	620
Eliminated on disposals	—	—	(332)	(332)
Eliminated on written off	—	—	(227)	(227)
At 31 December 2017	5,088	1,965	5,242	12,295
<b>CARRYING VALUES</b>				
At 31 December 2017	<u>16,685</u>	<u>—</u>	<u>449</u>	<u>17,134</u>
At 31 December 2016	<u>15,848</u>	<u>2</u>	<u>127</u>	<u>15,977</u>

*Note:* In the opinion of the Directors, the lease payments cannot be allocated reliably between the land and building elements. Thus entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold land and buildings	Over the shorter of term of the lease of the land or 50 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Other fixed assets	10%-30%

At 31 December 2017, all of the Group's leasehold land and buildings are located on land in Mainland China with the remaining lease terms of 33 years (2016: 34 years).

## 11. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>FAIR VALUE</b>	
At 1 January 2016	126,912
Net increase in fair value recognised in profit or loss	4,670
Disposals	(6,866)
Exchange realignment	(1,678)
	<hr/>
At 31 December 2016 and 1 January 2017	123,038
Net increase in fair value recognised in profit or loss	10,781
Disposals	(18,564)
Exchange realignment	2,408
	<hr/>
At 31 December 2017	<u>117,663</u>

Unrealised gain for the year ended 31 December 2017, relating to investment properties at 31 December 2017, disclosed on the consolidated statement of profit or loss and other comprehensive income is HK\$6,727,000.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 31 December 2017 and 2016 have been arrived at on the basis of a valuation carried out on those dates by Greater China Appraisal Limited, an independent qualified professional valuer not connected with the Group. Greater China Appraisal Limited is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK\$12,884 to HK\$20,964 per square foot (2016: HK\$11,574 to HK\$19,400 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the residential property units, and vice versa.

Market comparable approach has been adopted for valuing the Group's commercial property units. One of the key inputs used in valuing the Group's commercial property units was the price per square foot, which is HK\$5,343 per square foot (2016: HK\$5,005 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the commercial property units, and vice versa.

Income capitalisation method had been adopted for valuing the Group's industrial property unit as at 31 December 2016. Key inputs used in valuing the Group's industrial property unit were the market rent per square foot which was HK\$44 and the discount rate of 12%. Market rent per square foot was extrapolated using zero growth rate. An increase in the market rental per square foot or discount rate would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

During the year ended 31 December 2017, industrial property unit with fair value of approximately HK\$18,564,000 were disposed of.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2016 are as follows:

	<b>Level 3</b>		<b>Fair value</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Residential and industrial property units located in Hong Kong	<b>86,940</b>	94,260	<b>86,940</b>	94,260
Commercial property units located in Mainland China	<b>30,723</b>	28,778	<b>30,723</b>	28,778

There were no transfers out of Level 3 for both years.

At 31 December 2017, all of the Group's investment properties are located on land in Hong Kong and Mainland China with the remaining lease terms of 33 to 116 years (2016: 34 to 117 years).

All of the Group's investment properties located in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (Note 21).

## 12. GOODWILL

HK\$'000

### **COST**

At 1 January 2016, 31 December 2016 and 2017 254,789

### **IMPAIRMENT**

At 1 January 2016, 31 December 2016 and 2017 (201,854)

### **CARRYING VALUE**

At 31 December 2016 and 2017 52,935



### 13. INTERESTS IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Cost of investments in associates		
Listed in Hong Kong	186,613	186,613
Unlisted	N/A	–
Share of post-acquisition results	168,693	180,640
Share of post-acquisition translation reserve	(1,342)	(24,570)
Share of post-acquisition investment revaluation reserve	–	1,655
	<b>353,964</b>	344,338
Impairment loss	<b>(149,639)</b>	(140,013)
	<b>204,325</b>	204,325
Fair value of listed investment in Hong Kong	<b>204,325</b>	204,325
Carrying amount of interest in an associate listed in Hong Kong	<b>204,325</b>	204,325

*Note:* The unlisted associate was dissolved during the year ended 31 December 2017.

Details of the Group's principal associate at 31 December 2017 and 2016 are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held		Principal activities
			2017	2016	2017	2016	
GDC	Incorporated	Bermuda/ Mainland China	40.78%	40.78%	40.78%	40.78%	Provision and distribution of cultural recreation content including computer graphic ("CG") creation and production, CG training courses and investment in cultural park and property leasing

The carrying amount of investment in GDC has been tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset. The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell.

As disclosed in the consolidated financial statements of GDC, according to the framework agreement, GDC has completed properties representing Phase I of 珠影文化產業園 (the "Pearl River Film Cultural Park") which amounted to HK\$439,616,000 as at 31 December 2017 (2016: HK\$409,263,000) and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired.

As further disclosed in the consolidated financial statements of GDC, 珠江電影製片有限公司 ("Pearl River Film Production") as the plaintiff (the "Plaintiff") has initiated legal proceedings against 廣東環球數碼創意產業有限公司 ("Guangdong Cultural Park"), a subsidiary of GDC, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the "Alleged Breach"). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park's damages in the form of economic loss.

Guangdong Cultural Park received the civil judgment issued on 11 October 2016 by 中國廣東省廣州市中級人民法院 (the “First Civil Judgment”), which declared that the framework agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK\$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK\$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

In November 2016, Guangdong Cultural Park lodged an appeal with 中國廣東省廣州市中級人民法院 requesting for an order that the First Civil Judgment be set aside and that the judgment be entered in favour of Guangdong Cultural Park with costs (the “Appeal”).

During the year ended 31 December 2016, in light of the First Civil Judgment, GDC recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK\$84,467,000 and HK\$23,310,000, respectively.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff’s and Guangdong Cultural Park’s lawyers had further submitted supplementary documents as requested by 中國廣東省高級人民法院 (“Guangdong Higher People’s Court”).

On 16 March 2018, Guangdong Cultural Park received the civil judgment of Guangdong Higher People’s Court dated 31 January 2018, which rejected the Appeal and upheld the First Civil Judgment. According to this civil judgment, this judgment of Guangdong Higher People’s Court is the final judgment (“Final Civil Judgment”).

The management of GDC is currently seeking legal advice on the Final Civil Judgment in order to make a proper assessment of the legal implications on the financial position of GDC, and on any other alternative legal courses of action that can be taken by the management of GDC. Concurrently, the management of GDC has initiated negotiation with Pearl River Film Production, with the aim to reach a consensus for Guangdong Cultural Park to continue operating Phase I of the Pearl River Film Cultural Park. However, due to the preliminary nature of these further actions to be carried out by the management of GDC (the “Further Actions”), the management of GDC is unable to assess the likelihood of success and form any conclusion on the final impact of this matter on GDC and therefore the management of the Group is not in a position to assess the consequential impact of the resolution of this matter on the Group.

Depending on the ultimate outcome of the Further Actions, there may be significant impacts on multiple elements of GDC’s consolidated financial statements. Amongst other impacts, GDC might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the ultimate outcome of the Further Actions and its pervasive impact on the consolidated financial statements of GDC cannot be assessed at this stage. This may have a significant adverse impact on the share of results of an associate of the Group and the carrying amount of the interests in associates of the Group. However, the management of the Group considers that the ultimate outcome of the Further Actions cannot be assessed at this stage and accordingly no further adjustment has been made by the management of the Group in respect of the assessment of the recoverable amount of the Group’s investment in GDC referred to above.

In light of the Final Civil Judgment, the cash flow projections for the cultural park property leasing business have not taken into account of the rental income derived from the existing leases nor the estimated future lease income of the Phase I of Pearl River Film Cultural Park and the value in use was below the carrying amount and the fair value less costs to sell of the interest in this associate. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. Accordingly, when the recoverable amount of the associate is the higher of value in use and fair value less costs to sell, the interest in this associate is stated at its fair value less costs to sell as at 31 December 2017 and 2016 and an impairment loss of HK\$9,626,000 (2016: HK\$43,019,000) is recognised in profit or loss.

#### Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

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

#### GDC

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current assets	<u>339,575</u>	<u>365,802</u>
Non-current assets	<u>691,313</u>	<u>630,983</u>
Current liabilities	<u>(111,129)</u>	<u>(113,052)</u>
Non-current liabilities	<u>(44,004)</u>	<u>(38,507)</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	<u>133,915</u>	<u>146,759</u>
Loss for the year	<u>(24,015)</u>	<u>(95,294)</u>
Other comprehensive income (expenses) for the year	<u>54,544</u>	<u>(56,725)</u>
Total comprehensive income (expenses) for the year	<u>30,529</u>	<u>(152,019)</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Net assets of GDC	<b>875,755</b>	845,226
Net assets attributable to non-controlling interests of GDC	<b>(25,082)</b>	(18,159)
Net assets attributable to owners of GDC	<b>850,673</b>	827,067
Proportion of the Group's ownership interest in GDC	<b>40.78%</b>	40.78%
The Group's ownership interest in GDC	<b>346,916</b>	337,290
Impairment loss	<b>(149,639)</b>	(140,013)
Other adjustments	<b>7,048</b>	7,048
Carrying amount of the Group's interest in GDC	<b>204,325</b>	204,325

#### 14. FINANCE LEASE RECEIVABLES

	<b>Minimum lease receipts</b>		<b>Present value of minimum lease receipts</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
	<i>(Note)</i>	<i>(Note)</i>		
Finance lease receivables comprise:				
Within one year	<b>929,514</b>	802,926	<b>846,814</b>	723,557
In more than one year but not more than two years	<b>506,307</b>	835,674	<b>452,106</b>	781,674
In more than two years but not more than three years	<b>417,628</b>	348,280	<b>394,366</b>	333,632
In more than three years but not more than four years	<b>101,848</b>	2,728	<b>91,090</b>	2,582
In more than four years but not more than five years	<b>95,688</b>	683	<b>90,361</b>	672
	<b>2,050,985</b>	1,990,291	<b>1,874,737</b>	1,842,117
Overdue finance lease receivables	<b>12,092</b>	11,403	<b>12,092</b>	11,403
Less: Unearned finance lease income	<b>(176,248)</b>	(148,174)	<b>N/A</b>	N/A
Present value of minimum lease receipts	<b>1,886,829</b>	1,853,520	<b>1,886,829</b>	1,853,520

Analysed as:

Current finance lease receivables (receivable within 12 months)	<b>858,906</b>	734,960
Non-current finance lease receivables (receivable after 12 months)	<b>1,027,923</b>	1,118,560
	<b>1,886,829</b>	1,853,520

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fixed-rate finance lease receivables	810,200	928,069
Variable-rate finance lease receivables	<u>1,076,629</u>	<u>925,451</u>
	<u><b>1,886,829</b></u>	<u><b>1,853,520</b></u>

*Note:* The minimum lease receipts amounts as at 31 December 2017 and 2016 are presented using the prevailing People's Bank of China Renminbi Lending Rate or Offshore Chinese Renminbi Hong Kong Interbank Offered Rate as at 31 December 2017 and 2016 respectively.

#### **Movement in provision for finance lease receivables**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At 1 January	111,661	112,353
Impairment loss (reversed) recognised	(672)	44,055
Written off of impairment losses previously recognised	(23,059)	(38,506)
Exchange realignment	<u>9,385</u>	<u>(6,241)</u>
At 31 December	<u><b>97,315</b></u>	<u><b>111,661</b></u>

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK\$97,315,000 (2016: HK\$111,661,000), which the borrowers were either under severe financial difficulties, placed in liquidation or in legal proceedings. In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

#### **15. AVAILABLE-FOR-SALE INVESTMENT**

The investment as at 31 December 2016 represented equity interest in a private entity established in Mainland China.

The investment was measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates was so variable that the Directors were of the opinion that their fair values cannot be measured reliably. The investment was disposed of in May 2017 to an independent third party.

#### **16. TRADE RECEIVABLES**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Rental receivables	<u><b>–</b></u>	<u><b>1</b></u>

No credit period is granted to its trade customers.

The following is an aged analysis at the end of the reporting period of the trade receivables which is past due but not impaired:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
0 – 90 days	<u><u>–</u></u>	<u><u>1</u></u>

## 17. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2017 and 2016 represented equity securities as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Listed equity securities:		
– in Hong Kong	<b>3,095</b>	3,275
– in Mainland China	<u><b>828</b></u>	<u>1,569</u>
	<u><u><b>3,923</b></u></u>	<u><u>4,844</u></u>

The fair values of the held-for-trading investments were determined based on the quoted market bid prices available on the relevant exchanges.

## 18. STRUCTURED DEPOSIT

The structured deposit as at 31 December 2017 consisted of principal-protected deposit of HK\$12,048,000 (2016: HK\$11,111,000) denominated in Renminbi and issued by bank in Mainland China. The structured deposit carries interest at expected interest rate of 3.5% (2016: 3.5%) per annum, depending on the market prices of the underlying money market instruments and debt instruments invested by the bank, payable on maturity of 91 days (2016: 30 days) from the date of purchase. The structured deposit is designated at fair value through profit or loss (“FVTPL”) on initial recognition as it contains non-closely related embedded derivative. The Directors considered the fair value of the structured deposit, which is measured by reference to the discounted cash flow approach, approximates to its carrying value.

The structured deposit at 31 December 2017 was redeemed in March 2018. The change in fair value up to the date of redemption was not significant.

No change in fair value for the deposit that has been matured is recognised for the year ended 31 December 2017 and 2016 as the effect is not significant.

## 19. SECURED BANK BORROWINGS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Secured bank borrowings	<u>896,494</u>	<u>928,468</u>
Carrying amount repayable ( <i>Note</i> ):		
Within one year	503,775	444,958
More than one year, but not exceeding two years	90,363	464,593
More than two years, but not exceeding three years	90,361	–
More than three years, but not exceeding four years	90,361	–
More than four years, but not exceeding five years	<u>90,361</u>	<u>–</u>
	<u>865,221</u>	<u>909,551</u>
Carrying amount of bank borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	3,946	2,629
More than one year, but not exceeding two years	4,044	2,676
More than two years, but not exceeding three years	4,146	2,723
More than three years, but not exceeding four years	4,251	2,770
More than four years, but not exceeding five years	4,357	2,819
More than five years	<u>10,529</u>	<u>5,300</u>
	<u>31,273</u>	<u>18,917</u>
	896,494	928,468
Less: Amounts due within one year shown under current liabilities	<u>(535,048)</u>	<u>(463,875)</u>
Amounts due after one year	<u>361,446</u>	<u>464,593</u>

*Note:* The amounts are based on scheduled repayment dates set out in the loan agreements.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Analysed for reporting purpose:		
Fixed-rate secured bank borrowings	24,056	110,630
Variable-rate secured bank borrowings	<u>872,438</u>	<u>817,838</u>
	<u>896,494</u>	<u>928,468</u>

The ranges of effective interest rates on the Group's secured bank borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate secured bank borrowings	4.8%	4.8%
Variable-rate secured bank borrowings	<u>2.19% to 5.7%</u>	<u>1.8% to 7.2%</u>

The Group's secured bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017 HK\$'000	2016 HK\$'000
Denominated in HK\$	<u>31,273</u>	<u>18,917</u>

## 20. SHARE CAPITAL

	2017 & 2016	
	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January and 31 December	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January and 31 December	<u>2,672,192,469</u>	<u>26,722</u>

## 21. CHARGE ON ASSETS

As at 31 December 2017, the Group has the following charge on assets:

- The Group's investment properties with an aggregate carrying value of approximately HK\$86,940,000 (2016: HK\$94,260,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$31,273,000 (2016: HK\$18,917,000).
- The Group's finance lease receivables with a carrying value of approximately HK\$878,751,000 (2016: HK\$913,354,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$865,221,000 (2016: HK\$909,551,000).
- There were bank deposits of approximately HK\$19,811,000 (2016: HK\$26,606,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$24,056,000 (2016: HK\$136,032,000).



## 22. DISCONTINUED OPERATION

On 12 September 2016, the Group entered into a sale agreement to dispose of a non-wholly owned subsidiary, 深圳市悦康融滙貿易發展有限公司 (“Ecko Trading Development Company Limited”), which carried out the Group’s trading of goods operations to an independent third party at a consideration of approximately RMB1,483,000 (equivalent to approximately HK\$1,724,000). The disposal was completed on 14 September 2016, on which date control of Ecko Trading Development Company Limited passed to the acquirer.

The trading of goods operation was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. The loss for the year ended 31 December 2016 from the discontinued trading of goods operation is set out below:

	2016 HK\$’000
Revenue	4,501
Cost of sales	(4,351)
Other income	8
Distribution costs and selling expenses	(216)
Administrative expenses	(335)
	<hr/>
Loss for the year	(393)
Gain on disposal on recognised in profit and loss	89
	<hr/>
	(304)
	<hr/> <hr/>

Loss for the year from discontinued operation had been arrived at after charging:

	2016 HK\$’000
Staff costs	
– Salaries, wages and other benefits	5
– Retirement benefit scheme contributions	–
Auditor’s remuneration	–
Depreciation	79
Loss on written off of property, plant and equipment	1
	<hr/> <hr/>

Cash flows attributable to the Group for the year:

	2016 HK\$’000
Net cash inflow from operating activities	2,639
	<hr/> <hr/>
Net cash inflow from investing activities	8
	<hr/> <hr/>
Net cash outflow from financing activities	(3,035)
	<hr/> <hr/>
Net cash outflow	(388)
	<hr/> <hr/>

The net assets of Ecko Trading Development Company Limited at the date of disposal were as follows:

	2016 HK\$'000
<b>Net assets disposed of</b>	
Property, plant and equipment	26
Prepayments, deposits and other receivables	267
Inventories	1,326
Bank balances and cash	465
Other payables and accruals	(267)
	<hr/>
	1,817
Non-controlling interests	(182)
Gain on disposal recognised in profit and loss	89
	<hr/>
Cash consideration	1,724
	<hr/> <hr/>
	2016 HK\$'000
<b>Net cash inflow arising on disposal</b>	
Cash consideration	1,724
Less: bank balances and cash disposed of	(465)
	<hr/>
	1,259
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## 23. EVENTS AFTER THE REPORTING PERIOD

On 21 March 2018, SCG Finance Corporation Limited (the “Borrower”), a wholly-owned subsidiary of the Company, entered into a facility letter (the “Facility Letter”) with Chong Hing Bank Limited (the “Bank”) whereby a revolving term loan facility of HK\$70,000,000 (the “Facility”) would be made available by the Bank to the Borrower subject to the terms and conditions as set out in the Facility Letter. The term of the Facility is subject to the Bank’s overriding right of repayment on demand.

Pursuant to the Facility Letter, Shougang Group Co., Ltd. and Shougang Holding (Hong Kong) Limited shall remain as the largest shareholder (directly or indirectly) of the Company during the term of the Facility. Breach of such condition will constitute an event of default upon which the Bank may cancel the Facility or terminate the Facility and demand all outstanding amount under the Facility be immediately due and payable.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the audited consolidated financial statements of the Group for the year ended 31 December 2017.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of Matter**

We draw attention to Note 18 to the consolidated financial statements which contains further information in respect of the Group's interest in an associate, Global Digital Creation Holdings Limited ("GDC"), a company listed on GEM of The Stock Exchange of Hong Kong Limited in which the Group held 40.78% of nominal value of issued share capital, and describes the uncertainty related to the outcome of the further actions to be carried out by the management of GDC.

As further described in Note 18 to the consolidated financial statements, depending on the ultimate outcome of the further actions, there may be significant impacts on GDC, and accordingly a significant adverse impact on the share of results of an associate of the Group and the carrying amount of the interests in associates of the Group. The management of GDC is unable to assess the likelihood of success and form any conclusion on the final impact of this matter on GDC and therefore the management of the Group is not in a position to assess the consequential impact of the resolution of this matter on the Group. Our opinion is not modified in respect of this matter.

Details of "Note 18 to the consolidated financial statements" have been included in Note 13 to the consolidated financial statements of this announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any dividend in respect of the year (2016: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 18 May 2018 (the "AGM"). During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 11 May 2018 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000	+ / (-) Change
<b>Financial performance</b>			
Revenue from continuing operations	<b>109,512</b>	106,578	3%
Gross profit margin from continuing operations (%)	<b>54%</b>	43%	11%
Loss attributable to owners of the Company from continuing and discontinued operations	<b>(11,332)</b>	(82,375)	-86%
<b>Key financial indicators</b>			
Total cash	<b>320,080</b>	240,314	33%
Total assets	<b>2,630,955</b>	2,524,472	4%
Total liabilities	<b>1,051,498</b>	1,061,140	-1%
Bank borrowings	<b>896,494</b>	928,468	-3%
Equity attributable to owners of the Company	<b>1,281,917</b>	1,198,271	7%
Current ratio	<b>184%</b>	183%	1%
Net debt to total equity	<b>36%</b>	47%	-11%
Basic loss per share from continuing and discontinued operations ( <i>HK cents</i> )	<b>(0.42)</b>	(3.08)	-86%

### Financial Overview

The Group recorded loss of approximately HK\$11,332,000 for the year ended 31 December 2017 attributable to owners of the Company from continuing and discontinued operations, when compared with a loss of approximately HK\$82,375,000 for the year ended 31 December 2016 attributable to owners of the Company from continuing and discontinued operations, the decrease in loss was mainly attributable to no impairment provision for finance lease receivables made for the finance leasing and other financial services segment during the year, decrease in the share of loss of an associate and decrease in the impairment loss on interest in an associate. Revenue of the Group from continuing operations for the year ended 31 December 2017 was approximately HK\$109,512,000, which represented an increase of approximately 3% when compared with that of approximately HK\$106,578,000 for the year of 2016. The increase was mainly attributable to the increase in income from the finance leasing and other financial services segment. The Group recorded a gross profit from continuing operations of approximately HK\$59,132,000 for the year ended 31 December 2017, representing a gross profit margin of approximately 54%, which is an increase of approximately 11% when compared with the gross profit margin of approximately 43% for the year 2016. Basic loss per share from continuing and discontinued operations for the year ended 31 December 2017 was HK0.42 cents (2016: loss per share from continuing and discontinued operations HK3.08 cents).

Revenue of the Group from continuing operations for the year ended 31 December 2017 was approximately HK\$109,512,000, represented an increase of approximately 3% when compared with that of approximately HK\$106,578,000 for the year of 2016. The increase was mainly attributable to the increase in income from the finance leasing and other financial services segment by approximately HK\$3,929,000.

The Group made a gross profit from continuing operations of approximately HK\$59,132,000 for the year ended 31 December 2017, representing a gross profit margin of approximately 54%, which is an increase of 11% when compared with the gross profit margin of 43% for the year 2016 which was mainly attributable to the increase in gross profit margin from the finance leasing and other financial services segment.

Other income from continuing operations for the year ended 31 December 2017 amounted to approximately HK\$4,400,000 (2016: HK\$11,451,000), representing a decrease of approximately 62%. The decrease was mainly due to decrease in interest income from bank deposits and no interest penalty received.

Administrative expenses from continuing operations for the year ended 31 December 2017 amounted to approximately HK\$40,530,000 (2016: HK\$33,248,000), representing an increase of approximately 22%. The increase was mainly due to the rise in labour cost.

For the year ended 31 December 2017, share of loss of an associate amounted to approximately HK\$11,947,000 (2016: HK\$25,349,000), impairment loss of approximately HK\$9,626,000 (2016: HK\$43,019,000) on interest in an associate was made during the year.

## **Business Review and Outlook**

### *Finance Leasing and Other Financial Services*

During the year, revenue from the finance leasing and other financial services segment increased by approximately 4% to approximately HK\$105,896,000 (2016: HK\$101,967,000), while the segment result recorded a profit of approximately HK\$46,452,000 (2016: loss of HK\$2,960,000). The increase in revenue from the finance leasing and other financial services segment was mainly attributed to new finance leases carried out. The segment result turning from loss to profit was mainly attributed to the increase in the segment gross profit and no impairment loss made on finance lease receivables during the year.

The Group adhered to a prudent risk management policy, with the finance leasing and other financial services segment continuously carrying out rigorous and regular review of credit risk over all the existing and new finance leasing clients. The Group will continue to adopt a careful and prudent credit risk management strategy and endeavor to exercise its best efforts in the recovery of impaired receivables through continuing to track the assets conditions and the progress of litigation, combined with non-litigations methods.

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, the finance leasing and other financial services segment put emphasis on strengthening risk control mechanism and introducing information technology platform. Based on the ever strengthening and improving risk control mechanism, the segment adjusted the management control strategy in time and insisted on optimizing management system, enriching business team to solidify existing clients and proactively explore customers with good quality so as to promote an expanded business scale and increase overall revenue.

### *Property Investment and Management*

During the year, revenue from the property leasing and building management services segment decreased by approximately 22% to approximately HK\$3,616,000 (2016: HK\$4,611,000), while the segment result recorded a profit of approximately HK\$13,604,000 (2016: HK\$8,496,000). The decrease in revenue from the property leasing and building management services segment was mainly attributed to the decrease in rentable floor area due to disposal of part of the properties during the year. The increase in segment result was mainly attributable to the increase in fair value gain of investment properties of the Group. The Group recorded an increase in fair value of investment properties of approximately HK\$10,781,000 during the year (2016: fair value increase of HK\$4,670,000).

Capturing market opportunities, the Group disposed of certain investment properties in the past few years (including residential, commercial and industrial property units) so as to adjust the combination and quality of the investment properties portfolio. To improve assets return, the Group had reviewed and rearranged the layout of the self-occupied office so as to release rentable floor area. The Group will continue to monitor market changes and seek investment opportunities. The Group expected to receive stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return to the Group in the foreseeable future.

### *Assets Management*

During the year, the assets management segment result recorded a profit from continuing operations of approximately HK\$752,000 (2016: HK\$133,000). The increase in segment profit was mainly attributable to the increase in interest income from bank deposits.

Relying on the good business base and network rooted in Hong Kong and built up in the past several years in Mainland China, the Group will take a overall analysis on the developments and trends of global treasury market and pay close attention to the economic structural adjustment and changes in financial reform in Mainland China, by tracking industries with good growth potential, capturing opportunity to develop new projects and innovative service, promoting positive interaction among projects and enriching the assets management business at the same time.

## *Corporate Strategy*

The Group's major corporate strategy is divided into two main components: business development and risks management infrastructure.

For business development, based on the continued optimisation and improvement on business procedures and management system to enrich business strength, the Group will devote more resources to existing prominent business sector – finance leasing for promoting business scale extension and specialization. Meanwhile, we will take full advantage of our cross-border business network among overseas and Mainland China targeting to provide supporting financial services to enterprises and further explore innovative financial services products with an aim to boosting the development of the Group's core and new business and achieving maximized synergies.

For risks management infrastructure, prudent and effective risk management can help to explore long-term investment value and served as the cornerstone for the Group's sustainable growth. Focusing on business development while at the same time the Group will continue to strengthen its risk management infrastructure to reduce the chance of risk occurrence or the loss upon risk occurrence.

## **Major Risks and Uncertainties**

### *Economic Environment and Individual Market Performance*

The global economy is complicated, with continuous fluctuations in interest rates, exchange rates, bulk commodities and energy prices and other major economic indicators caused by monetary policies adopted by major economies of the world. Under the impacts of these uncertainties, the capital investment of the market may decelerate which affects the revenue of the Group.

### *Market Risks*

The Group is exposed to certain market risks such as interest rate risk, credit risk and liquidity risk. The management of the Group manages and supervises these risks in order to ensure appropriate measures are adopted in time and effectively.



## Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 31 December 2017 as compared to 31 December 2016 is summarized below:

	<b>31 December 2017 HK\$'000</b>	31 December 2016 HK\$'000
Total borrowings		
Current borrowings	<b>535,048</b>	463,875
Non-current borrowings	<b>361,446</b>	464,593
Sub-total	<b>896,494</b>	928,468
Total cash		
Bank balances and cash	<b>288,221</b>	202,597
Structured deposit	<b>12,048</b>	11,111
Restricted bank deposits	<b>19,811</b>	26,606
Sub-total	<b>320,080</b>	240,314
Net borrowings	<b>576,414</b>	688,154
Total equity	<b>1,579,457</b>	1,463,332
Total assets	<b>2,630,955</b>	2,524,472
Financial leverage		
Net debt to total equity	<b>36%</b>	47%
Net debt to total assets	<b>22%</b>	27%
Current ratio	<b>184%</b>	183%

As at 31 December 2017, the Group had bank balances and cash of approximately HK\$288,221,000 (31 December 2016: HK\$202,597,000), structured deposit of approximately HK\$12,048,000 (31 December 2016: HK\$11,111,000) and restricted bank deposits of approximately HK\$19,811,000 (31 December 2016: HK\$26,606,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to net cash from operating activities of approximately HK\$140,642,000, proceeds from disposal of an investment property of approximately HK\$18,564,000 and proceeds on disposal of available-for-sale investment of approximately HK\$5,335,000, netting off with the net repayment of bank loans of approximately HK\$111,460,000.

As at 31 December 2017, the Group's borrowings amounted to approximately HK\$896,494,000, of which approximately HK\$535,048,000 were repayable within twelve months from 31 December 2017 and approximately HK\$361,446,000 were repayable after twelve months from 31 December 2017. During the year, the Group obtained new bank loans of approximately HK\$437,941,000 for finance leasing and other financial services. All loans bore interest at market rates.



## **Capital Structure**

The equity attributable to owners of the Company amounted to approximately HK\$1,281,917,000 as at 31 December 2017 (31 December 2016: HK\$1,198,271,000). The increase was mainly due to the exchange differences arising on translation of approximately HK\$96,633,000 in total during the year, netting off with the loss for the year ended 31 December 2017 attributable to owners of the Company from continuing and discontinued operations of approximately HK\$11,332,000. The Company did not issue any new shares during the year. The issued share capital of the Company was approximately HK\$26,722,000 (represented by approximately 2,672 million issued ordinary shares).

## **Material Acquisition, Disposals and Significant Investment**

The Group had no material acquisitions, disposals and significant investment during the year.

## **Charge on Assets**

As at 31 December 2017, the Group had the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$86,940,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$31,273,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$878,751,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$865,221,000.
- (iii) There were bank deposits of approximately HK\$19,811,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$24,056,000.

## **Foreign Exchange Exposure**

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 31 December 2017, the Group has no significant foreign exchange exposure.

## **Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2017.

## **Employees**

As at 31 December 2017, the Group employed 51 (31 December 2016: 47) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2017, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

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

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

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2017, except for the following deviation:

- Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Li Shaofeng has resigned as Chairman of the Board with effect from 14 June 2017 due to his other engagements. Mr. Xu Liang, the then Managing Director of the Company, took the role of the Chairman of the Board in replacement of Mr. Li Shaofeng with effect from 14 June 2017. As such, Mr. Xu Liang had acted as both the Chairman and the Managing Director of the Company. In order to satisfy the requirement of the code provision A.2.1 of the CG Code, the Board appointed Mr. Liu Dongsheng as the Managing Director of the Company from 6 January 2018 and Mr. Xu Liang ceased to act as the Managing Director of the Company from the same date but remains as the Chairman of the Board.

## APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board  
**Shougang Concord Grand (Group) Limited**  
**Xu Liang**  
*Chairman*

Hong Kong, 22 March 2018

*As at the date of this announcement, the Board comprises Mr. Xu Liang (Chairman), Mr. Liu Dongsheng (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tam King Ching, Kenny (Independent Non-executive Director), Ms. Zhou Jianhong (Independent Non-executive Director) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).*

\* *For identification purpose only*