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 2013

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 2013 with comparative figures for the year ended 31 December 2012. 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 2013*

| | *NOTES* | **2013** **HK$'000** | 2012 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **55,888** | 55,534 |
| Cost of sales | | **(37,315)** | (34,969) |
| Gross profit | | **18,573** | 20,565 |
| Other income | *5* | **6,627** | 8,109 |
| Distribution costs and selling expenses | | **(742)** | (1,007) |
| Administrative expenses | | **(33,294)** | (34,182) |
| Increase in fair value of investment properties | | **3,600** | 13,600 |
| Changes in fair value of held-for-trading investments | | **561** | 3,229 |
| Finance costs | *6* | **(345)** | (553) |
| Share of results of associates | | **13,720** | 24,659 |
| Impairment loss on interests in an associate | *13* | **–** | (30,000) |
| Profit before tax | | **8,700** | 4,420 |
| Income tax expense | *7* | **(2,173)** | (2,372) |
| Profit for the year | *8* | **6,527** | 2,048 |

| | NOTE | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| Other comprehensive income: | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Exchange differences on translation | | **6,313** | 3,007 |
| Share of translation difference of an associate | | **7,738** | 3,964 |
| | | **14,051** | 6,971 |
| Total comprehensive income for the year | | **20,578** | 9,019 |
| Profit (loss) for the year attributable to: | | | |
| Owners of the Company | | **6,550** | 2,024 |
| Non-controlling interests | | **(23)** | 24 |
| | | **6,527** | 2,048 |
| Total comprehensive income (expense) for the year attributable to: | | | |
| Owners of the Company | | **20,582** | 8,986 |
| Non-controlling interests | | **(4)** | 33 |
| | | **20,578** | 9,019 |
| Earnings per share | *9* | | |
| Basic | | **HK0.57 cents** | HK0.18 cents |
| Diluted | | **HK0.57 cents** | HK0.18 cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 31 DECEMBER 2013*

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | **30,772** | 31,295 |
| Investment properties | 11 | **92,000** | 88,400 |
| Goodwill | 12 | **52,935** | 52,935 |
| Interests in associates | 13 | **299,470** | 278,012 |
| Finance lease receivables | 14 | **251,143** | 279,412 |
| Restricted bank deposits | | **25,879** | 31,970 |
| Available-for-sale investments | 18 | **5,386** | 5,251 |
| Deferred tax assets | | **466** | 275 |
| | | **758,051** | 767,550 |
| **Current assets** | | | |
| Inventories | 15 | **3,896** | 3,848 |
| Amount due from an associate | | **388** | 388 |
| Finance lease receivables | 14 | **254,638** | 223,540 |
| Trade receivables | 16 | **17** | – |
| Prepayments, deposits and other receivables | | **5,603** | 6,482 |
| Held-for-trading investments | 17 | **16,443** | 39,928 |
| Structured deposits | 19 | **25,641** | 12,500 |
| Bank balances and cash | | **289,273** | 316,267 |
| | | **595,899** | 602,953 |
| **Current liabilities** | | | |
| Other payables and accruals | | **17,989** | 13,558 |
| Income received in advance | | **3,658** | 4,682 |
| Rental and management fee received in advance and other deposits received | | **647** | 488 |
| Tax liabilities | | **12,500** | 12,113 |
| Secured bank borrowings – due within one year | 20 | **197,977** | 217,995 |
| Security deposits received – due within one year | | **3,190** | – |
| | | **235,961** | 248,836 |
| **Net current assets** | | **359,938** | 354,117 |
| **Total assets less current liabilities** | | **1,117,989** | 1,121,667 |

| | NOTES | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *21* | **11,522** | 11,522 |
| Retained earnings | | **646,087** | 639,330 |
| Other reserves | | **208,429** | 194,604 |
| Equity attributable to owners of the Company | | **866,038** | 845,456 |
| Non-controlling interests | | **757** | 761 |
| **Total equity** | | **866,795** | 846,217 |
| **Non-current liabilities** | | | |
| Income received in advance | | **4,051** | 3,799 |
| Secured bank borrowings – due after one year | *20* | **222,122** | 241,099 |
| Security deposits received – due after one year | | **25,021** | 30,552 |
| | | **251,194** | 275,450 |
| **Total equity and liabilities** | | **1,117,989** | 1,121,667 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
*FOR THE YEAR ENDED 31 DECEMBER 2013*

| | Attributable to owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Contributed surplus reserve HK$'000 (Note (a)) | Translation reserve HK$'000 | Share options reserve HK$'000 | Retained earnings HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 January 2012 | 11,522 | 1,007 | 115,576 | 42,555 | 28,504 | 637,306 | 836,470 | 728 | 837,198 |
| Exchange differences on translation | – | – | – | 2,998 | – | – | 2,998 | 9 | 3,007 |
| Share of translation difference of an associate | – | – | – | 3,964 | – | – | 3,964 | – | 3,964 |
| Profit for the year | – | – | – | – | – | 2,024 | 2,024 | 24 | 2,048 |
| Total comprehensive income for the year | – | – | – | 6,962 | – | 2,024 | 8,986 | 33 | 9,019 |
| At 31 December 2012 | 11,522 | 1,007 | 115,576 | 49,517 | 28,504 | 639,330 | 845,456 | 761 | 846,217 |
| Exchange differences on translation | – | – | – | 6,294 | – | – | 6,294 | 19 | 6,313 |
| Share of translation difference of an associate | – | – | – | 7,738 | – | – | 7,738 | – | 7,738 |
| Profit (loss) for the year | – | – | – | – | – | 6,550 | 6,550 | (23) | 6,527 |
| Total comprehensive income (expense) for the year | – | – | – | 14,032 | – | 6,550 | 20,582 | (4) | 20,578 |
| Lapse of share options | – | – | – | – | (207) | 207 | – | – | – |
| At 31 December 2013 | 11,522 | 1,007 | 115,576 | 63,549 | 28,297 | 646,087 | 866,038 | 757 | 866,795 |

*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 transfers 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.

## CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 31 DECEMBER 2013*

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **OPERATING ACTIVITIES** | | |
| Profit before tax | **8,700** | 4,420 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,537** | 1,507 |
| Interest expenses (included in finance costs and cost of sales) | **32,250** | 31,523 |
| Share of results of associates | **(13,720)** | (24,659) |
| Impairment loss on interests in an associate | **–** | 30,000 |
| Gain on disposal of property, plant and equipment | **–** | (48) |
| Increase in fair value of investment properties | **(3,600)** | (13,600) |
| Changes in fair value of held-for-trading investments | **561** | 3,229 |
| Interest income from bank deposits | **(4,462)** | (5,886) |
| Dividend income from held-for-trading investments | **(381)** | (1,549) |
| Reversal of impairment loss on finance lease receivables | **(198)** | – |
| Operating cash flows before movements in working capital | **20,687** | 24,937 |
| Decrease (increase) in inventories | **51** | (1,334) |
| (Decrease) increase in security deposits received | **(3,124)** | 11,815 |
| (Increase) decrease in finance lease receivables | **(30,803)** | 73,835 |
| (Increase) decrease in trade receivables | **(17)** | 128 |
| Decrease (increase) in prepayments, deposits and other receivables | **919** | (737) |
| Decrease (increase) in held-for-trading investments | **22,968** | (6,248) |
| Increase (decrease) in other payables and accruals | **4,232** | (3,990) |
| Decrease in income received in advance | **(986)** | (1,686) |
| Increase (decrease) in rental and management fee received in advance and other deposits received | **159** | (149) |
| Cash generated from operations | **14,086** | 96,571 |
| Dividend received from held-for-trading investments | **381** | 1,549 |
| Income tax paid | **(2,282)** | (1,882) |
| Interest received | **41,068** | 39,475 |
| Interest paid | **(32,250)** | (31,523) |
| **NET CASH FROM OPERATING ACTIVITIES** | **21,003** | 104,190 |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **INVESTING ACTIVITIES** | | |
| Purchase of structured deposits | **(25,316)** | (24,390) |
| Proceeds from redemption of structured deposits | **12,658** | 25,640 |
| Purchases of property, plant and equipment | **(244)** | (756) |
| Withdrawal of restricted bank deposits | **18,095** | 10,000 |
| Placement of restricted bank deposits | **(11,184)** | (15,720) |
| Interest received | **4,462** | 5,886 |
| Proceeds from disposal of property, plant and equipment | **–** | 48 |
| Proceeds from disposal of assets classified as held for sale | **–** | 118,312 |
| Repayment of loan to an associate | **–** | 9,772 |
| **NET CASH (USED IN) FROM INVESTING ACTIVITIES** | **(1,529)** | 128,792 |
| **FINANCING ACTIVITIES** | | |
| Repayment of bank loans | **(256,974)** | (394,938) |
| New bank loans raised | **206,958** | 184,624 |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(50,016)** | (210,314) |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(30,542)** | 22,668 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR** | **316,267** | 291,868 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **3,548** | 1,731 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH** | **289,273** | 316,267 |

*NOTES*

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS1 |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 27 (as revised in 2011) | Separate Financial Statements |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**HKFRS 12 *Disclosure of Interests in Other Entities***

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

**HKFRS 13 *Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

**Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**New and revised HKFRSs issued but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[1] |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKAS 36 | Recoverable Amount Disclosures for Non-Financial Assets[1] |
| Amendments to HKAS 39 | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010 – 2012 Cycle[4] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011 – 2013 Cycle[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 14 | Regulatory Deferral Accounts[5] |
| HK(IFRIC) – Int 21 | Levies[1] |

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

**HKFRS 9 *Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. As at 31 December 2013, available-for-sale investments of approximately HK$5,386,000 is measured at cost less impairment.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("Directors") anticipate that the adoption of HKFRS 9 in the future may affect the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

**Annual Improvements to HKFRSs 2010-2012 Cycle**
The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of "vesting condition" and "market condition"; and (ii) add definitions for "performance condition" and "service condition" which were previously included within the definition of "vesting condition". The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have "similar economic characteristics"; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HAKS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010-2012 Cycle will have a material effect on the Group's consolidated financial statements.

**Annual Improvements to HKFRSs 2011-2013 Cycle**
The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of HKAS 40; and

- the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011-2013 Cycle will have a material effect on the Group's consolidated financial statements.

**Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities***
The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The Directors do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

**Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets***
The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

## 2. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgments, 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.

**Critical judgments in applying accounting policies**

The following are the critical judgments, apart from these involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

*Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

**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, 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 (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. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2013, no impairment loss has been recognised for finance lease receivables (2012: Nil). As at 31 December 2013, the carrying amount of finance lease receivables is HK$505,781,000 (2012: HK$502,952,000).

*Estimated impairment of goodwill*
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is approximately HK$52,935,000, net of accumulated impairment loss of HK$201,854,000 (2012: HK$52,935,000, net of accumulated impairment loss of HK$201,854,000).

*Estimated impairment of interests in associates*
When there is objective evidence of impairment loss, 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. 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 quoted market price of the shares of GDC. 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 and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, the carrying amount of interests in associates is approximately HK$299,470,000, net of accumulated impairment loss of HK$96,994,000 (2012: HK$278,012,000, net of accumulated impairment loss of approximately HK$96,994,000). Details of the recoverable amount calculation are disclosed in Note 13.

*Fair value measurements and valuation processes*
Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 11 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

## 3. REVENUE

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Finance lease income | **46,073** | 44,949 |
| Property leasing income | **3,154** | 3,668 |
| Sale of goods | **6,661** | 6,917 |
| | **55,888** | 55,534 |

## 4. 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 – property leasing and building management services, finance leasing and assets management where assets management segment is engaged in investment holding and trading of goods.

**Segment revenue and results**

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

***For the year ended 31 December 2013***

| | **Property leasing and building management services** *HK$'000* | **Finance leasing** *HK$'000* | **Assets management** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Segment revenue | **3,154** | **46,073** | **6,661** | **55,888** |
| Segment result | **6,032** | **9,088** | **(71)** | **15,049** |
| Other income | | | | **3,446** |
| Central administration costs | | | | **(23,731)** |
| Changes in fair value of held-for-trading investments | | | | **561** |
| Finance costs | | | | **(345)** |
| Share of results of associates | | | | **13,720** |
| Profit before tax | | | | **8,700** |

*For the year ended 31 December 2012*

| | Property leasing and building management services *HK$'000* | Finance leasing *HK$'000* | Assets management *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Segment revenue | 3,668 | 44,949 | 6,917 | 55,534 |
| Segment result | 16,513 | 8,315 | 484 | 25,312 |
| Other income | | | | 5,785 |
| Central administration costs | | | | (24,012) |
| Changes in fair value of held-for-trading investments | | | | 3,229 |
| Finance costs | | | | (553) |
| Share of results of associates | | | | 24,659 |
| Impairment loss on interests in an associate | | | | (30,000) |
| Profit before tax | | | | 4,420 |

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 by each segment without allocation of central administration costs including Directors' salaries, share of results of associates, impairment loss on interests in an associate, certain other income, finance costs and changes in fair value of held-for-trading investments. 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:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Segment assets** | | |
| Property leasing and building management services | **93,220** | 99,225 |
| Finance leasing | **720,900** | 813,532 |
| Assets management | **13,478** | 27,685 |
| Total segment assets | **827,598** | 940,442 |
| Interests in associates | **299,470** | 278,012 |
| Held-for-trading investments | **16,443** | 39,928 |
| Structured deposits | **25,641** | 12,500 |
| Other unallocated assets | **184,798** | 99,621 |
| Consolidated assets | **1,353,950** | 1,370,503 |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Segment liabilities** | | |
| Property leasing and building management services | **919** | 703 |
| Finance leasing | **440,825** | 474,822 |
| Assets management | **213** | 1,648 |
| Total segment liabilities | **441,957** | 477,173 |
| Tax liabilities | **12,500** | 12,113 |
| Unallocated secured bank borrowings | **26,721** | 29,262 |
| Other unallocated liabilities | **5,977** | 5,738 |
| Consolidated liabilities | **487,155** | 524,286 |

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 deposits 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 current tax liabilities, unallocated secured bank borrowings not for finance leasing and other unallocated 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 People's Republic of China ("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** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Mainland China | **52,734** | 51,866 | **83,290** | 83,574 |
| Hong Kong | **3,154** | 3,668 | **92,417** | 89,056 |
| | **55,888** | 55,534 | **175,707** | 172,630 |

*Note:* Non-current assets excluded available-for-sale investments, interests in associates, other financial instruments and deferred tax assets.

**Information about major customers**
Revenue from three customers, each individually contributing over 10% of the total revenue of the Group under reportable segment of finance leasing are as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **6,805** | N/A[1] |
| Customer B | **5,883** | 8,051 |
| Customer C | **5,628** | 7,412 |
| Customer D | **N/A[1]** | 8,591 |

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 5. OTHER INCOME

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest income from bank deposits | **4,462** | 5,322 |
| Interest income from loan to an associate | **–** | 564 |
| Dividend income from held-for-trading investments | **967** | 2,148 |
| Interest penalty received on overdue finance lease receivables | **842** | – |
| Government grant | **336** | – |
| Others | **20** | 75 |
| | **6,627** | 8,109 |

## 6. FINANCE COSTS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings wholly repayable within five years | **32,250** | 31,523 |
| Less: Interest on bank borrowings wholly repayable within five years included in cost of sales | **(31,905)** | (30,970) |
| | **345** | 553 |

Included in cost of sales is interest on bank borrowings wholly repayable within five years amounting to HK$31,905,000 (2012: HK$30,970,000) under the finance leasing segment.

## 7. INCOME TAX EXPENSE

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **184** | 252 |
| PRC Enterprise Income Tax ("EIT") | **2,180** | 1,540 |
| | **2,364** | 1,792 |
| Deferred taxation: | | |
| Current year | **(191)** | 580 |
| | **2,173** | 2,372 |

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 certain subsidiaries of the Group operating in Mainland China was 25% (2012: 25%).

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

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before tax | **8,700** | 4,420 |
| Tax calculated at PRC EIT rate of 25% | **2,175** | 1,105 |
| Tax effect on share of results of associates | **(3,430)** | (6,165) |
| Tax effect of expenses not deductible for tax purposes | **692** | 7,617 |
| Tax effect of income not taxable for tax purposes | **(1,790)** | (5,712) |
| Tax effect of tax losses not recognised | **4,712** | 6,453 |
| Effect of different tax rates of subsidiaries operating in other jurisdiction | **(218)** | (1,025) |
| Others | **32** | 99 |
| Income tax expense for the year | **2,173** | 2,372 |

## 8. PROFIT FOR THE YEAR

| | 2013<br>*HK$'000* | 2012<br>*HK$'000* |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Staff costs, including Directors' and chief executive's remuneration: | | |
| – Salaries, wages and other benefits | **17,659** | 18,512 |
| – Retirement benefit scheme contributions | **533** | 666 |
| Total staff costs | **18,192** | 19,178 |
| Auditor's remuneration | **1,166** | 1,155 |
| Depreciation of property, plant and equipment | **1,537** | 1,507 |
| Gain on disposal of property, plant and equipment | **–** | (48) |
| Exchange loss, net | **131** | 7 |
| Gross rent from investment properties | **(3,154)** | (3,668) |
| Less: direct operating expenses from investment properties that generated rental income during the year | **286** | 312 |
| | **(2,868)** | (3,356) |

## 9. EARNINGS PER SHARE

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

| | 2013<br>*HK$'000* | 2012<br>*HK$'000* |
|---|---|---|
| Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share | **6,550** | 2,024 |

| | 2013<br>*'000* | 2012<br>*'000* |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,152,192** | 1,152,192 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **1,270** | – |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **1,153,462** | 1,152,192 |

The calculation of diluted earnings per share for the year ended 31 December 2013 does not include the potential ordinary shares arising from the Company's certain share options (2012: all share options) because the exercise prices of these share options were higher than the average market price of the shares of the Company for the year.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings *HK$'000* *(Note)* | Leasehold improvements *HK$'000* | Other fixed assets *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 January 2012 | 33,089 | 1,723 | 7,025 | 41,837 |
| Exchange realignment | 393 | 1 | 27 | 421 |
| Additions | – | 27 | 729 | 756 |
| Disposals | – | – | (343) | (343) |
| At 31 December 2012 | 33,482 | 1,751 | 7,438 | 42,671 |
| Exchange realignment | 816 | 1 | 73 | 890 |
| Additions | – | 211 | 33 | 244 |
| At 31 December 2013 | 34,298 | 1,963 | 7,544 | 43,805 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | |
| At 1 January 2012 | 3,115 | 1,522 | 5,523 | 10,160 |
| Exchange realignment | 28 | 1 | 23 | 52 |
| Provided for the year | 760 | 80 | 667 | 1,507 |
| Eliminated on disposals | – | – | (343) | (343) |
| At 31 December 2012 | 3,903 | 1,603 | 5,870 | 11,376 |
| Exchange realignment | 69 | 1 | 50 | 120 |
| Provided for the year | 779 | 141 | 617 | 1,537 |
| At 31 December 2013 | 4,751 | 1,745 | 6,537 | 13,033 |
| **CARRYING VALUES** | | | | |
| At 31 December 2013 | 29,547 | 218 | 1,007 | 30,772 |
| At 31 December 2012 | 29,579 | 148 | 1,568 | 31,295 |

*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% |

The carrying value of leasehold land and buildings shown above companies properties situated on land in Mainland China under medium-term lease.

## 11. INVESTMENT PROPERTIES

| | *HK$'000* |
|---|---|
| **FAIR VALUE** | |
| At 1 January 2012 | 74,800 |
| Net increase in fair value recognised in profit or loss | 13,600 |
| At 31 December 2012 and 1 January 2013 | 88,400 |
| Net increase in fair value recognised in profit or loss | 3,600 |
| At 31 December 2013 | 92,000 |

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 2013 and 2012 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. AA Property Services 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.

At 31 December 2013, all of the Group's investment properties are located in Hong Kong and held under long leases with the lease terms of 46 to 120 years (2012: 47 to 121 years).

The carrying amounts of investment properties shown above are situated on:

| | **2013**<br>***HK$'000*** | 2012<br>*HK$'000* |
|---|---|---|
| Land in Hong Kong | | |
| Long lease | **68,200** | 65,200 |
| Medium-term lease | **23,800** | 23,200 |
| Total | **92,000** | 88,400 |

All of the Group's investment properties have been pledged to banks to secure general banking facilities granted to the Group (Note 22).

## 12. GOODWILL

| | *HK$'000* |
|---|---|
| **COST** | |
| At 1 January 2012, 31 December 2012 and 2013 | 254,789 |
| **IMPAIRMENT** | |
| At 1 January 2012, 31 December 2012 and 2013 | 201,854 |
| **CARRYING VALUE** | |
| At 31 December 2012 and 2013 | 52,935 |

## 13. INTERESTS IN ASSOCIATES

| | 2013 HK$'000 | 2012 HK$'000 |
|---|---|---|
| Cost of investments in associates | | |
| Listed in Hong Kong | **186,613** | 186,613 |
| Unlisted | **–** | – |
| Share of post-acquisition results | **188,512** | 174,792 |
| Share of post-acquisition translation reserve | **21,339** | 13,601 |
| | **396,464** | 375,006 |
| Impairment loss | **(96,994)** | (96,994) |
| | **299,470** | 278,012 |
| Fair value of listed investments in Hong Kong | **235,284** | 106,497 |
| Carrying amount of interests in associates listed in Hong Kong | **299,470** | 278,012 |

Details of the Group's principal associate at 31 December 2013 and 2012 are as follows:

| Name of entity | Form of business structure | Place of incorporation/ establishment and operation | Proportion of nominal value of issued share capital held by the Group | | Proportion of voting power held | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2013** | 2012 | **2013** | 2012 | |
| GDC | Incorporated | Bermuda/ Hong Kong | **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 |

The carrying amount of investments in GDC has been tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset.

The recoverable amount of the investment in GDC as at 31 December 2013 has been determined based on the value in use calculations which was more (2012: less) than the corresponding carrying value. The Group did not recognised any impairment loss (2012: HK$30,000,000) for the year ended 31 December 2013 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 31 December 2013 has been determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by GDC, including the cash flows from the operations of each of the business units consisting of the CG creation and production, CG training courses business, the investment in cultural park business and the property leasing business. The cash flow projections for the CG creation and production, CG training courses business and the property leasing business are based on financial budgets approved by management covering a 5-year period and a discount rate of 17% (2012: 19%) and a 3.5% (2012: 3.5%) growth rate after the 5-year period. Other key assumptions for the cash flow projections relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The cash flow projections for the investment in cultural park business take into account the rental income of the property derived from the existing leases and the estimated future lease income capitalised at a market yield rate expected for similar type of property over the remaining period of the property leasing right.

**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 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**

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current assets | **357,605** | 378,263 |
| Non-current assets | **948,116** | 912,276 |
| Current liabilities | **(175,237)** | (170,254) |
| Non-current liabilities | **(128,243)** | (160,793) |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **160,720** | 111,022 |
| Profit for the year | **23,285** | 89,031 |
| Other comprehensive income for the year | **19,536** | 11,268 |
| Total comprehensive income for the year | **42,821** | 100,299 |

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net assets of GDC | **1,002,241** | 959,492 |
| Net assets attributable to non-controlling interests of GDC | **(46,112)** | (54,971) |
| Net assets attributable to owners of GDC | **956,129** | 904,521 |
| Proportion of the Group's ownership interest in GDC | **40.78%** | 40.78% |
| The Group's ownership interest in GDC | **389,924** | 368,878 |
| Impairment loss | **(96,994)** | (96,994) |
| Other adjustments | **6,540** | 6,128 |
| Carrying amount of the Group's interest in GDC | **299,470** | 278,012 |

For the remaining associate that is not individually material, the Group did not share of its profit or loss in both years as it is inactive during both years.

## 14. FINANCE LEASE RECEIVABLES

| | Minimum lease receipts | | Present value of minimum lease receipts | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | *(Note)* | *(Note)* | | |
| Finance lease receivables comprise: | | | | |
| Within one year | **287,093** | 258,649 | **254,638** | 223,540 |
| In more than one year but not more than two years | **178,179** | 151,395 | **163,477** | 133,774 |
| In more than two years but not more than three years | **68,461** | 124,277 | **63,818** | 117,037 |
| In more than three years but not more than four years | **25,116** | 29,615 | **23,848** | 28,601 |
| | **558,849** | 563,936 | **505,781** | 502,952 |
| Less: Unearned finance lease income | **(53,068)** | (60,984) | **N/A** | N/A |
| Present value of minimum lease receipts | **505,781** | 502,952 | **505,781** | 502,952 |
| Analysed as: | | | | |
| Current finance lease receivables (receivable within 12 months) | | | **254,638** | 223,540 |
| Non-current finance lease receivables (receivable after 12 months) | | | **251,143** | 279,412 |
| | | | **505,781** | 502,952 |

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fixed-rate finance lease receivables | **1,805** | 6,697 |
| Variable-rate finance lease receivables | **503,976** | 496,255 |
| | **505,781** | 502,952 |

*Note:* The minimum lease receipts amounts as at 31 December 2013 and 2012 are presented using the prevailing PBC rate as at 31 December 2013 and 2012 respectively.

## 15. INVENTORIES

Inventories represent goods held for resale.

## 16. TRADE RECEIVABLES

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **17** | – |
| Less: Allowance for doubtful debts | **–** | – |
| | **17** | – |

The Group allows a credit period of 90 days to its trade customers.

The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **17** | – |

## 17. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2013 and 2012 represented debt securities and equity securities as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Listed equity securities: | | |
| – in Hong Kong | **4,713** | 4,936 |
| – in Mainland China | **1,506** | 1,720 |
| Listed debt securities in Hong Kong | **10,224** | 33,272 |
| | **16,443** | 39,928 |

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

## 18. AVAILABLE-FOR-SALE INVESTMENTS

The investments represent equity interests in private entities established in Mainland China and Hong Kong.

The investments are measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates is so variable that the Directors are of the opinion that their fair values cannot be measured reliably.

## 19. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2013 consist of deposits of HK$25,641,000 (2012: HK$12,500,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 3.3% to 4.2% (2012: 2.7%) per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the banks, payable on maturity where the maturity ranging from 90 to 91 days (2012: 63 days) from the date of purchase. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are measured by reference to the discounted cash flow approach approximate to their carrying values.

The structured deposits are redeemed in March 2014. The change in fair value up to the date of redemption is not significant.

No change in fair value for those deposits that have been matured has been recognised for the years ended 31 December 2013 and 2012 as the effect is not significant.

## 20. SECURED BANK BORROWINGS

| | **2013** | 2012 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Secured variable-rate bank borrowings | **420,099** | 459,094 |
| Carrying amount repayable *(Note)*: | | |
| Within one year | **171,256** | 188,733 |
| More than one year, but not exceeding two years | **141,678** | 110,118 |
| More than two years, but not exceeding three years | **58,972** | 103,154 |
| More than three years, but not exceeding four years | **21,472** | 27,827 |
| | **393,378** | 429,832 |
| Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **2,573** | 2,534 |
| Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **24,148** | 26,728 |
| | **420,099** | 459,094 |
| Less: Amounts due within one year shown under current liabilities | **(197,977)** | (217,995) |
| Amounts due after one year | **222,122** | 241,099 |

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

## 21. SHARE CAPITAL

| | Number of Shares | Amount |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 January 2012 and 31 December 2012 | 2,000,000,000 | 20,000 |
| Increase during the year *(Note)* | 8,000,000,000 | 80,000 |
| At 31 December 2013 | **10,000,000,000** | **100,000** |
| Issued and fully paid: | | |
| At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013 | **1,152,192,469** | **11,522** |

*Note*: On 18 June 2013, the shareholders of the Company approved the increase in the authorised share capital of the Company from HK$20,000,000 divided into 2,000,000,000 ordinary shares to HK$100,000,000 divided into 10,000,000,000 ordinary shares.

## 22. CHARGE ON ASSETS

As at 31 December 2013, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,000,000 (2012: HK$88,400,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$26,721,000 (2012: HK$29,262,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$409,528,000 (2012: HK$438,513,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$393,378,000 (2012: HK$429,832,000).

(iii) There were bank deposits of approximately HK$25,879,000 (2012: HK$31,970,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK$207,582,000 (2012: HK$242,591,000).

## 23. LITIGATION

On 5 August 2013, a writ of summons (the "Writ of Summons") was issued at the High Court of Hong Kong against GDC Holdings Limited (the "Defendant"), a wholly-owned subsidiary of GDC (an associate of the Company), for specific performance or damages in lieu in relation to an agreement entered into between the plaintiff, the Defendant and GDC on 6 September 2011 (the "Agreement"). The plaintiff alleged that one of the clauses in the Agreement required the Defendant to acquire certain amount of shares of GDC Technology Limited from the plaintiff subject to the occurrence of certain events. The Defendant filed a defence ("Defence") on 22 November 2013 denying the plaintiff's allegations and asserting various affirmative defences. The amount involved in the claim is US dollars790,900.

As at the date of this report, the plaintiff has not yet filed a reply to the Defendant's Defence and no trial date has been fixed. Based on the legal advice received by GDC, GDC are of the view that the likelihood of success of the plaintiff's claim is remote. Accordingly, no provision for any potential liability has been made in the consolidated financial statements of GDC.

## FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2012: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 6 June 2014 (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 registrars and transfer office of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014), not later than 4:30 p.m. on Tuesday, 3 June 2014 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Overview

The Group recorded profit of approximately HK$6,550,000 for the year ended 31 December 2013 attributable to owners of the Company, represented an increase of approximately 224% when compared with that of profits approximately HK$2,024,000 for the year ended 31 December 2012 attributable to owners of the Company. Increase in profits was mainly attributable to the business growth in finance leasing segment and that there is no impairment loss on interests in an associate during the year 2013 (2012: impairment loss amounted to HK$30,000,000). Revenue of the Group for the year ended 31 December 2013 was approximately HK$55,888,000 represented an increase of approximately 1% when compared with that of approximately HK$55,534,000 for the year of 2012. The increase was mainly attributable to the income growth from the finance lease segment. The Group returned a gross profit of approximately HK$18,573,000 for the year ended 31 December 2013, representing a gross profit margin of approximately 33%, which is a decline when compared with the gross profit margin of approximately 37% for the year 2012. Basic earnings per share for the year ended 31 December 2013 was HK0.57 cents (2012: HK0.18 cents).

Revenue of the Group for the year ended 31 December 2013 was approximately HK$55,888,000, represented an increase of approximately 1% when compared with that of approximately HK$55,534,000 for the year of 2012. The increase was mainly attributable to the increase in income from the finance lease segment by approximately HK$1,124,000.

The Group made a gross profit of approximately HK$18,573,000 for the year ended 31 December 2013, representing a gross profit margin of approximately 33%, which is a decline when comparing with the gross profit margin of 37% for the year 2012 which was mainly attributable to the decrease in gross profit of asset management business and return of interest income spread owing to the changes in market environment.

Other income for the year ended 31 December 2013 amounted to approximately HK$6,627,000 (2012: HK$8,109,000), representing a decrease of approximately 18%. The decrease was mainly due to the decrease in interest income and dividend income.

Administrative expenses for the year ended 31 December 2013 amounted to approximately HK$33,294,000 (2012: HK$34,182,000), representing a decrease of approximately 3%. The decrease was mainly due to the decrease in professional service fees for the development of the finance leasing business and the decreased staff costs.

For the year ended 31 December 2013, share of profits from associated companies amounted to approximately HK$13,720,000 (2012: HK$24,659,000) and there is no impairment loss on interests in an associate during the year 2013 (2012: impairment loss amounted to HK$30,000,000).

**Business Review and Outlook**

*Property Investment and Management*

During the year, revenue from the property leasing and building management services segment decreased by 14% to approximately HK$3,154,000 (2012: HK$3,668,000), while the segment recorded a profit of approximately HK$6,032,000 (2012: HK$16,513,000). The decrease in revenue from the property leasing and building management services segment was mainly attributed to the changes in market environment that resulted in the decrease in rental income. During the year, the significant decrease in segment result was mainly attributable to the effect of the local property market having reached a relatively high level that resulted in the decrease in fair value gain of investment properties of the Group. The Group recorded an increase in fair value of investment properties of approximately HK$3,600,000 during the year 2013 (2012: fair value increase of HK$13,600,000).

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 and 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.

*Finance Leasing*

During the year, revenue from the finance leasing segment increased by approximately 3% to HK$46,073,000 (2012: HK$44,949,000), while the segment recorded a profit of approximately HK$9,088,000 (2012: HK$8,315,000). The increase in revenue from the finance leasing segment was mainly attributed to the increase in interest-bearing finance lease balances resulted from the commencement of new projects. The improved segmental results were mainly attributed to the growth contributed by new projects.

The Group adhered to a prudent risk management policy, with the finance leasing 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.

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, based on the ever strengthening and improving risk control mechanism, the finance leasing segment 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.

*Assets Management*

During the year, the assets management segment recorded revenue of approximately HK$6,661,000 (2012: HK$6,917,000) while the segment recorded a loss of approximately HK$71,000 (2012: profit of HK$484,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The segment results turning from profit to loss was mainly attributable to the decrease in gross profit owing to the change in market environment.

Relying on the good business base and network built up in the past several years in Mainland China, the Group will pay close attention to the economic development in Mainland China by tracking industries with good growth potential, capturing opportunity to develop new projects, promoting positive interaction among projects and enriching the assets management business at the same time.

*Corporate Strategy*

The Group's 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 boarder 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.

**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 2013 as compared to 31 December 2012 is summarized below:

| *HK$'000* | **31 December 2013** | 31 December 2012 |
|---|---|---|
| Total borrowings | | |
| Current borrowings | **197,977** | 217,995 |
| Non-current borrowings | **222,122** | 241,099 |
| sub-total | **420,099** | 459,094 |
| Total cash | | |
| Bank balances and cash | **289,273** | 316,267 |
| Structured deposits | **25,641** | 12,500 |
| Restricted bank deposits | **25,879** | 31,970 |
| sub-total | **340,793** | 360,737 |
| Net borrowings | **79,306** | 98,357 |
| Total equity | **866,795** | 846,217 |
| Total assets | **1,353,950** | 1,370,503 |
| Financial leverage | | |
| Net debt to total equity | **9%** | 12% |
| Net debt to total assets | **6%** | 7% |
| Current ratio | **253%** | 242% |

As at 31 December 2013, the Group had bank balances and cash of approximately HK$289,273,000 (31 December 2012: HK$316,267,000), structured deposits of approximately HK$25,641,000 (31 December 2012: HK$12,500,000) and restricted bank deposits of approximately HK$25,879,000 (31 December 2012: HK$31,970,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly from net cash inflow from operating activities of approximately HK$21,003,000 and netting off with the net bank loans repaid of approximately HK$50,016,000.

As at 31 December 2013, the Group's borrowings amounted to approximately HK$420,099,000, of which approximately HK$197,977,000 were repayable within twelve months from 31 December 2013 and approximately HK$222,122,000 were repayable after twelve months from 31 December 2013. During the year, the Group obtained new bank borrowings of approximately HK$206,958,000 for the finance leasing business of the Group. All loans bore interest at market rates.

**Capital Structure**

The equity attributable to owners of the Company amounted to approximately HK$866,038,000 as at 31 December 2013 (31 December 2012: HK$845,456,000). The increase was mainly due to the profits for the year ended 31 December 2013 attributable to owners of the Company of approximately HK$6,550,000 and exchange differences arising on translation of approximately HK$14,032,000 in total during the year. The Company did not issue any new shares during the year under review. The issued share capital of the Company was HK$11,522,000 (represented by 1,152 million ordinary shares).

**Material Acquisition, Disposals and Significant Investment**

The Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2013.

**Charge on Assets**

As at 31 December 2013, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,000,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$26,721,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$409,528,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$393,378,000.

(iii) There were bank deposits of approximately HK$25,879,000 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$207,582,000.

**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 currency exposures. As at 31 December 2013, the Group has no significant foreign exchange exposure.

**Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2013.

**Employees**

As at 31 December 2013, the Group employed 49 (31 December 2012: 46) 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 employee of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2013, the Company and its subsidiaries has 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 2013.

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 2013 annual report.

## APPRECIATION

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

By order of the Board
**Shougang Concord Grand (Group) Limited**
**Li Shaofeng**
*Chairman*

Hong Kong, 27 March 2014

*As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Luo Zhenyu (Managing Director), Mr. Wang Tian (Deputy Managing Director), Mr. Yuan Wenxin (Deputy 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*