# 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 2016

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 2016 with comparative figures for the year ended 31 December 2015. 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 2016*

| | *NOTES* | **2016**<br>***HK$'000*** | 2015<br>*HK$'000*<br>(Restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *3* | **106,578** | 60,276 |
| Cost of sales | | **(61,130)** | (32,962) |
| Gross profit | | **45,448** | 27,314 |
| Other income | *5* | **11,451** | 5,496 |
| Distribution costs and selling expenses | | **(672)** | (1,955) |
| Administrative expenses | | **(33,248)** | (41,281) |
| Increase in fair value of investment properties | | **4,670** | 12,455 |
| Changes in fair value of held-for-trading investments | | **806** | (2,005) |
| Impairment loss on finance lease receivables | *15* | **(44,055)** | (81,723) |
| Finance costs | *6* | **(264)** | (613) |
| Share of results of an associate | | **(25,349)** | 4,483 |
| Impairment loss on interest in an associate | *14* | **(43,019)** | – |
| Loss before tax | | **(84,232)** | (77,829) |
| Income tax credit | *7* | **2,564** | 11,619 |
| Loss for the year from continuing operations | *8* | **(81,668)** | (66,210) |
| **Discontinued operation** | | | |
| Loss for the year from discontinued operation | *25* | **(304)** | (272) |
| Loss for the year | | **(81,972)** | (66,482) |

| | NOTE | 2016 HK$'000 | 2015 HK$'000 (Restated) |
|---|---|---|---|
| Other comprehensive expenses: | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Exchange differences on translation | | **(68,269)** | (82,194) |
| Share of translation difference of an associate | | **(21,657)** | (16,250) |
| | | **(89,926)** | (98,444) |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Share of investment revaluation reserve of an associate | | **(614)** | (8,328) |
| Other comprehensive expenses for the year | | **(90,540)** | (106,772) |
| Total comprehensive expenses for the year | | **(172,512)** | (173,254) |
| Loss for the year attributable to owners of the Company | | | |
| – from continuing operations | | **(82,101)** | (54,999) |
| – from discontinued operation | | **(274)** | (245) |
| | | **(82,375)** | (55,244) |
| Profit (loss) for the year attributable to non-controlling interests | | | |
| – from continuing operations | | **433** | (11,211) |
| – from discontinued operation | | **(30)** | (27) |
| | | **403** | (11,238) |
| | | **(81,972)** | (66,482) |
| Total comprehensive expenses for the year attributable to: | | | |
| Owners of the Company | | **(156,309)** | (142,006) |
| Non-controlling interests | | **(16,203)** | (31,248) |
| | | **(172,512)** | (173,254) |
| Loss per share | *10* | | |
| From continuing and discontinued operations | | | |
| Basic and diluted | | **HK(3.08) cents** | HK(2.87) cents |
| From continuing operations | | | |
| Basic and diluted | | **HK(3.07) cents** | HK(2.85) cents |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 31 DECEMBER 2016*

| | NOTES | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *11* | **15,977** | 17,515 |
| Investment properties | *12* | **123,038** | 126,912 |
| Goodwill | *13* | **52,935** | 52,935 |
| Interests in associates | *14* | **204,325** | 294,964 |
| Finance lease receivables | *15* | **1,118,560** | 1,450,479 |
| Available-for-sale investments | *20* | **4,667** | 4,942 |
| Restricted bank deposits | | **15,191** | 25,496 |
| Deferred tax assets | | **20,222** | 10,448 |
| | | **1,554,915** | 1,983,691 |
| **Current assets** | | | |
| Inventories | *16* | **–** | 3,200 |
| Amount due from an associate | | **388** | 388 |
| Finance lease receivables | *15* | **734,960** | 715,778 |
| Entrusted loan payment receivable | *17* | **–** | 75,477 |
| Trade receivables | *18* | **1** | 81 |
| Prepayments, deposits and other receivables | | **4,241** | 8,078 |
| Held-for-trading investments | *19* | **4,844** | 4,916 |
| Structured deposits | *21* | **11,111** | 90,588 |
| Restricted bank deposits | | **11,415** | 9,704 |
| Bank balances and cash | | **202,597** | 439,651 |
| | | **969,557** | 1,347,861 |
| **Current liabilities** | | | |
| Other payables and accruals | | **30,724** | 57,728 |
| Income received in advance | | **7,839** | 7,666 |
| Rental and management fee received in advance and other deposits received | | **764** | 997 |
| Tax liabilities | | **14,613** | 8,261 |
| Secured bank borrowings – due within one year | *22* | **463,875** | 590,561 |
| Security deposits received – due within one year | | **12,158** | 10,150 |
| | | **529,973** | 675,363 |
| **Net current assets** | | **439,584** | 672,498 |
| **Total assets less current liabilities** | | **1,994,499** | 2,656,189 |

| | NOTES | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *23* | **26,722** | 26,722 |
| Retained earnings | | **518,281** | 600,072 |
| Other reserves | | **653,268** | 727,786 |
| Equity attributable to owners of the Company | | **1,198,271** | 1,354,580 |
| Non-controlling interests | | **265,061** | 281,446 |
| **Total equity** | | **1,463,332** | 1,636,026 |
| **Non-current liabilities** | | | |
| Income received in advance | | **6,018** | 9,644 |
| Secured bank borrowings – due after one year | *22* | **464,593** | 957,878 |
| Security deposits received – due after one year | | **60,556** | 52,641 |
| | | **531,167** | 1,020,163 |
| **Total equity and liabilities** | | **1,994,499** | 2,656,189 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* | **Property revaluation reserve** *HK$'000* | **Investment revaluation reserve** *HK$'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 2015 | 11,522 | 1,007 | 7,392 | 10,597 | 115,576 | 48,834 | 28,081 | 656,468 | 879,477 | 696 | 880,173 |
| Loss for the year | – | – | – | – | – | – | – | (55,244) | (55,244) | (11,238) | (66,482) |
| Exchange differences on translation | – | – | – | – | – | (62,184) | – | – | (62,184) | (20,010) | (82,194) |
| Share of translation difference of an associate | – | – | – | – | – | (16,250) | – | – | (16,250) | – | (16,250) |
| Share of investment revaluation reserve of an associate | – | – | – | (8,328) | – | – | – | – | (8,328) | – | (8,328) |
| Other comprehensive expenses for the year | – | – | – | (8,328) | – | (78,434) | – | – | (86,762) | (20,010) | (106,772) |
| Total comprehensive expenses for the year | – | – | – | (8,328) | – | (78,434) | – | (55,244) | (142,006) | (31,248) | (173,254) |
| Placing of new shares | 6,000 | 240,000 | – | – | – | – | – | – | 246,000 | – | 246,000 |
| Subscription of new shares | 9,200 | 368,000 | – | – | – | – | – | – | 377,200 | – | 377,200 |
| Transaction costs attributable to placing and subscription of new shares *(Note (c))* | – | (4,939) | – | – | – | – | – | – | (4,939) | – | (4,939) |
| Capital injection from Shougang Holding into South China Leasing *(Note (d))* | – | – | – | – | – | – | – | – | – | 310,846 | 310,846 |
| Loss on deemed disposal of South China Leasing | – | – | – | – | – | – | – | (1,152) | (1,152) | 1,152 | – |
| At 31 December 2015 | 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 | – | – | – | – | – | (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 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 25)* | – | – | – | – | – | – | – | – | – | (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 |

*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.

(c) The amount represented transaction costs incurred directly attributable to the issuance of shares upon the completion of shares placing and subscription on 29 June 2015.

(d) Details of Shougang Holding and South China Leasing has been defined in Note 23 and Note 7, respectively.

*NOTES*

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

**Amendments to HKFRSs that are mandatorily effective for the current year**

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

| | |
|---|---|
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interest in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle |

Except as described below, the application of the amendments to 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.

**Amendments to HKAS 1 *Disclosure Initiative***

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

**New and amendments to HKFRSs in issue but not yet effective**

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

| | |
|---|---|
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related amendments[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to HKAS 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[4] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2017

**HKFRS 9 *Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have an impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments will either be measured as fair value through profit or loss ("FVTPL") or be designated as FVTOCI (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

**HKFRS 15** ***Revenue from Contracts with Customers***
HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company (the "Directors") has already commenced an assessment of the impact of HKFRS 15 to the Group and it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Directors complete a detailed review.

**HKFRS 16** ***Leases***
HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group as lessee has non-cancellable operating lease commitments of HK$6,493,000 (2015: HK$7,058,000). A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

**Amendments to HKAS 7 *Disclosure Initiative***

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors anticipated that the application of the HKAS 7 in the future may have an impact on the disclosures relating to liabilities arising from financing activities but will not have impact on amounts reported in the consolidated financial statements.

The Directors do not anticipate that the applications of other new and amendments to HKFRSs will have a material impact on the Group's consolidated financial statements.

## 2. 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 2016, impairment loss of HK$44,055,000 (2015: HK$81,723,000) has been recognised for finance lease receivables. As at 31 December 2016, the carrying amount of finance lease receivables is HK$1,853,520,000, net of accumulated impairment loss of HK$111,661,000 (2015: HK$2,166,257,000, net of accumulated impairment loss of HK$112,353,000). Details of the impairment of finance lease receivables are disclosed in Note 15.

*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 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.

As at 31 December 2016, the carrying amount of interests in associates is approximately HK$204,325,000, net of accumulated impairment loss of HK$140,013,000 (2015: HK$294,964,000, net of accumulated impairment loss of HK$96,994,000). Details of the recoverable amount calculation are disclosed in Note 14.

*Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill have been allocated, which is 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 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, 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 2016, the carrying amount of goodwill is approximately HK$52,935,000, net of accumulated impairment loss of HK$201,854,000 (2015: HK$52,935,000, net of accumulated impairment loss of HK$201,854,000).

## 3. REVENUE

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Finance leasing and other financial services income | | |
| Interest income | **93,652** | 45,629 |
| Handling fee | **7,295** | 5,613 |
| Consultancy fee income | **329** | 525 |
| Other financial services income | **691** | 3,384 |
| Property leasing income | **4,611** | 5,125 |
| | **106,578** | 60,276 |

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

For the year ended 31 December 2016, "trading of goods" business was disposed and discontinued. Details of the discontinued operation is set out in Note 25.

**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 2016***

**Continuing operations**

| | **Finance leasing and other financial services** *HK$'000* | **Property leasing and building management services** *HK$'000* | **Assets management** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Segment revenue | **101,967** | **4,611** | **–** | **106,578** |
| Segment result | **(2,960)** | **8,496** | **133** | **5,669** |
| 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 | | | | **(43,019)** |
| Loss before tax | | | | **(84,232)** |

*For the year ended 31 December 2015*

Continuing operations

| | Finance leasing and other financial services *HK$'000* | Property leasing and building management services *HK$'000* | Assets management *HK$'000* | Total *HK$'000* (Restated) |
|---|---|---|---|---|
| Segment revenue | 55,151 | 5,125 | – | 60,276 |
| Segment result | (67,591) | 16,765 | 168 | (50,658) |
| Other income | | | | 756 |
| Central administration costs | | | | (29,792) |
| Changes in fair value of held-for-trading investments | | | | (2,005) |
| Finance costs | | | | (613) |
| Share of results of an associate | | | | 4,483 |
| Loss before tax | | | | (77,829) |

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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Segment assets** | | |
| Finance leasing and other financial services | **2,152,777** | 2,772,828 |
| Property leasing and building management services | **123,329** | 127,947 |
| Assets management | **22,768** | 24,621 |
| Total segment assets | **2,298,874** | 2,925,396 |
| Interests in associates | **204,325** | 294,964 |
| Held-for-trading investments | **4,844** | 4,916 |
| Structured deposits | **11,111** | 90,588 |
| Other unallocated corporate assets | **5,318** | 15,688 |
| Consolidated assets | **2,524,472** | 3,331,552 |

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Segment liabilities** | | |
| Finance leasing and other financial services | **1,035,927** | 1,663,917 |
| Property leasing and building management services | **886** | 1,648 |
| Assets management | **545** | 810 |
| Total segment liabilities | **1,037,358** | 1,666,375 |
| Unallocated secured bank borrowings | **18,917** | 21,547 |
| Other unallocated corporate liabilities | **4,865** | 7,604 |
| Consolidated liabilities | **1,061,140** | 1,695,526 |

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 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 People's 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** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | (Restated) | | |
| Mainland China | **102,711** | 53,271 | **44,652** | 46,811 |
| Hong Kong | **3,867** | 7,005 | **94,363** | 97,616 |
| | **106,578** | 60,276 | **139,015** | 144,427 |

*Note:* Non-current assets exclude available-for-sale investments, 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **29,350** | 8,300 |
| Customer B | **27,351** | N/A[1] |
| Customer C | **27,007** | N/A[1] |
| Customer D | **N/A[1]** | 11,964 |
| Customer E | **N/A[1]** | 7,532 |

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

## 5. OTHER INCOME

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Interest income from bank deposits | **7,731** | 4,711 |
| Dividend income from held-for-trading investments | **40** | 133 |
| Interest penalty received on overdue finance lease receivables | **3,439** | 473 |
| Others | **241** | 179 |
| | **11,451** | 5,496 |

## 6. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **58,597** | 30,994 |
| Amortisation of loan raising costs | **2,796** | 655 |
| | **61,393** | 31,649 |
| Less: amounts included in cost of sales | **(61,129)** | (31,036) |
| | **264** | 613 |

Included in cost of sales are interest on bank borrowings amounting to HK$58,333,000 (2015: HK$30,381,000) and amortisation of loan raising costs amounting to HK$2,796,000 (2015: HK$655,000) under the finance leasing and other financial services segment.

## 7. INCOME TAX CREDIT

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| Hong Kong | **124** | 233 |
| PRC Enterprise Income Tax ("EIT") | **10,647** | 3,111 |
| Withholding tax on deemed distribution from South China International Leasing Co., Ltd. ("South China Leasing"), an indirect non-wholly-owned subsidiary of the Company | **–** | 4,535 |
| | **10,771** | 7,879 |
| Overprovision in prior years: | | |
| Hong Kong | **–** | (8) |
| PRC EIT | **(3,013)** | (4,409) |
| Deferred taxation | **(10,322)** | (15,081) |
| | **(2,564)** | (11,619) |

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% (2015: 25%).

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss before tax | **(84,232)** | (77,829) |
| Tax calculated at PRC EIT rate of 25% | **(21,058)** | (19,457) |
| Tax effect on share of results of an associate | **6,337** | (1,121) |
| Tax effect of expenses not deductible for tax purposes | **10,963** | 33 |
| Tax effect of income not taxable for tax purposes | **(1,745)** | (1,157) |
| Tax effect of tax losses not recognised | **5,654** | 7,693 |
| Effect of different tax rates of subsidiaries operating in other jurisdiction | **(22)** | (203) |
| Overprovision in prior years | **(3,013)** | (4,417) |
| Withholding tax charged on deemed distribution of South China Leasing | **–** | 4,535 |
| Deferred tax effect of Land Appreciation Tax in respect of change in fair value of investment property located in Mainland China | **449** | 2,779 |
| Others | **(129)** | (304) |
| Income tax credit for the year | **(2,564)** | (11,619) |

## 8. LOSS FOR THE YEAR

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| 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 | **20,301** | 18,259 |
| – Retirement benefit scheme contributions | **692** | 1,305 |
| Total staff costs | **21,903** | 20,474 |
| Auditor's remuneration | **1,594** | 1,438 |
| Depreciation of property, plant and equipment | **548** | 735 |
| Loss on written off of property, plant and equipment | **–** | 1 |
| Exchange (gain) loss, net | **(115)** | 224 |
| Gross rent from investment properties | **(4,611)** | (5,125) |
| Less: direct operating expenses from investment properties that generated rental income during the year | **353** | 323 |
| | **(4,258)** | (4,802) |

## 9. DIVIDENDS

No dividend is paid, declared or proposed during the years ended 31 December 2016 and 2015, and no dividend has been proposed since the end of the reporting period.

## 10. 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(82,375)** | (55,244) |
| Less: | | |
| Loss for the year from discontinued operation | **(274)** | (245) |
| Loss for the purposes of basis and diluted loss per share from continuing operations | **(82,101)** | (54,999) |

| | **2016** | 2015 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **2,672,192** | 1,926,768 |

For the year ended 31 December 2016 and 2015, 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:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | **(82,375)** | (55,244) |

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

**From discontinued operation**

Basic and diluted loss per share for the discontinued operation is HK0.01 cents per share (2015: HK0.02 cents per share), based on the loss for the year from the discontinued operation of HK$274,000 (2015: HK$245,000) and the denominators detailed above for both basic and diluted loss per share.

## 11. 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 2015 | 22,527 | 2,025 | 6,504 | 31,056 |
| Exchange realignment | (1,228) | (2) | (111) | (1,341) |
| Additions | – | – | 84 | 84 |
| Written off | – | – | (6) | (6) |
| At 31 December 2015 | 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 *(Note 25)* | – | – | (486) | (486) |
| Written off | – | – | (77) | (77) |
| At 31 December 2016 | 20,208 | 1,961 | 5,689 | 27,858 |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | |
| At 1 January 2015 | 3,662 | 1,908 | 6,088 | 11,658 |
| Exchange realignment | (140) | (3) | (97) | (240) |
| Provided for the year | 535 | 104 | 226 | 865 |
| Eliminated on written off | – | – | (5) | (5) |
| At 31 December 2015 | 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 *(Note 25)* | – | – | (460) | (460) |
| Eliminated on written off | – | – | (76) | (76) |
| At 31 December 2016 | 4,360 | 1,959 | 5,562 | 11,881 |
| **CARRYING VALUES** | | | | |
| At 31 December 2016 | 15,848 | 2 | 127 | 15,977 |
| At 31 December 2015 | 17,242 | 14 | 259 | 17,515 |

*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 2016, all of the Group's leasehold land and buildings are located on land in Mainland China with the remaining lease terms of 34 years (2015: 35 years).

## 12. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| **FAIR VALUE** | |
| At 1 January 2015 | 116,150 |
| Net increase in fair value recognised in profit or loss | 12,455 |
| Exchange realignment | (1,693) |
| At 31 December 2015 and 1 January 2016 | 126,912 |
| Net increase in fair value recognised in profit or loss | 4,670 |
| Disposals | (6,866) |
| Exchange realignment | (1,678) |
| At 31 December 2016 | 123,038 |

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 2016 and 2015 have been arrived at on the basis of a valuation carried out on that date 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$11,574 to HK$19,400 per square foot (2015: HK$10,979 to HK$17,751 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$5,005 per square foot (2015: HK$5,115). 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 has been adopted for valuing the Group's industrial property units. Key inputs used in valuing the Group's industrial property units were the monthly market rent per square foot which is HK$44 (2015: HK$46) and the discount rate of 12% (2015: 12%) used. Market rent per square foot is extrapolated using zero growth rate. An increase in the market rent per square foot or discount rate used would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

| | **Level 3** | | **Fair value** | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Residential and industrial property units located in Hong Kong | **94,260** | 97,500 | **94,260** | 97,500 |
| Commercial property units located in Mainland China | **28,778** | 29,412 | **28,778** | 29,412 |

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

At 31 December 2016, all of the Group's investment properties are located on land in Hong Kong and Mainland China with the remaining lease terms of 34 to 117 years (2015: 35 to 118 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 24).

## 13. GOODWILL

| | *HK$'000* |
|---|---|
| **COST** | |
| At 1 January 2015, 31 December 2015 and 2016 | 254,789 |
| **IMPAIRMENT** | |
| At 1 January 2015, 31 December 2015 and 2016 | (201,854) |
| **CARRYING VALUE** | |
| At 31 December 2015 and 2016 | 52,935 |

## 14. INTERESTS IN ASSOCIATES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cost of investments in associates | | |
| Listed in Hong Kong | **186,613** | 186,613 |
| Unlisted | **–** | – |
| Share of post-acquisition results | **180,640** | 205,989 |
| Share of post-acquisition translation reserve | **(24,570)** | (2,913) |
| Share of post-acquisition investment revaluation reserve | **1,655** | 2,269 |
| | **344,338** | 391,958 |
| Impairment loss | **(140,013)** | (96,994) |
| | **204,325** | 294,964 |
| Fair value of listed investments in Hong Kong | **204,325** | 235,284 |
| Carrying amount of interests in associates listed in Hong Kong | **204,325** | 294,964 |

Details of the Group's principal associate at 31 December 2016 and 2015 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 2016 | 2015 | Proportion of voting power held 2016 | 2015 | Principal activities |
|---|---|---|---|---|---|---|---|
| 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.

The recoverable amount of the investment in GDC as at 31 December 2015 has been determined based on the value in use calculations which was more than the corresponding carrying value. The Group did not recognise any impairment loss for the year ended 31 December 2015 in relation to the interest in GDC. The value in use calculations 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 16.5% and a 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.

For the year ended 31 December 2015, the cash flow projections for the cultural park property leasing business have taken into account of the rental income derived from the existing leases of the Phase I completed properties of 珠影文化產業園 ("Pearl River Film Cultural Park") 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. The Phase II of the Pearl River Film Cultural Park represents the properties interest under construction of GDC which is to be developed as an entertainment and film production and development area.

As disclosed in the results announcement of GDC, according to the framework agreement, GDC has completed properties representing Phase I of Pearl River Film Cultural Park which amounted to HK$409,263,000 as at 31 December 2016 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 results announcement 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 "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 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 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.

As of the date of this announcement, the Appeal is still in progress and no conclusion has been reached. Depending on the ultimate outcome of the Appeal, 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 Appeal and its pervasive impact on the consolidated financial statements of GDC cannot be assessed at this stage. This may have a consequential adverse impact on the Group's share of results of an associate and its carrying amount of its interests in associates. However, the Directors consider that the ultimate outcome of the Appeal cannot be assessed at this stage and accordingly no further adjustment has been made by the Directors in respect of the assessment of the recoverable amount of the Group's investment in GDC referred to above.

In light of the 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 2016 and an impairment loss of 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**

| | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|
| Current assets | **365,802** | 337,940 |
| Non-current assets | **630,983** | 809,430 |
| Current liabilities | **(113,052)** | (91,386) |
| Non-current liabilities | **(38,507)** | (58,739) |

| | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|
| Revenue | **146,759** | 181,664 |
| (Loss) profit for the year | **(95,294)** | 20,185 |
| Other comprehensive expenses for the year | **(56,725)** | (62,680) |
| Total comprehensive expenses for the year | **(152,019)** | (42,495) |

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

| | **2016** *HK$'000* | 2015 *HK$'000* |
|---|---|---|
| Net assets of GDC | **845,226** | 997,245 |
| Net assets attributable to non-controlling interests of GDC | **(18,159)** | (53,411) |
| Net assets attributable to owners of GDC | **827,067** | 943,834 |
| Proportion of the Group's ownership interest in GDC | **40.78%** | 40.78% |
| The Group's ownership interest in GDC | **337,290** | 384,910 |
| Impairment loss | **(140,013)** | (96,994) |
| Other adjustments | **7,048** | 7,048 |
| Carrying amount of the Group's interest in GDC | **204,325** | 294,964 |

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

## 15. FINANCE LEASE RECEIVABLES

| | Minimum lease receipts | | Present value of minimum lease receipts | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | *(Note)* | *(Note)* | | |
| Finance lease receivables comprise: | | | | |
| Within one year | **802,926** | 761,728 | **723,557** | 690,713 |
| In more than one year but not more than two years | **835,674** | 791,975 | **781,674** | 715,185 |
| In more than two years but not more than three years | **348,280** | 769,438 | **333,632** | 734,118 |
| In more than three years but not more than four years | **2,728** | 1,233 | **2,582** | 1,176 |
| In more than four years but not more than five years | **683** | – | **672** | – |
| | **1,990,291** | 2,324,374 | **1,842,117** | 2,141,192 |
| Overdue finance lease receivables | **11,403** | 25,065 | **11,403** | 25,065 |
| Less: Unearned finance lease income | **(148,174)** | (183,182) | **N/A** | N/A |
| Present value of minimum lease receipts | **1,853,520** | 2,166,257 | **1,853,520** | 2,166,257 |
| Analysed as: | | | | |
| Current finance lease receivables (receivable within 12 months) | | | **734,960** | 715,778 |
| Non-current finance lease receivables (receivable after 12 months) | | | **1,118,560** | 1,450,479 |
| | | | **1,853,520** | 2,166,257 |

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Fixed-rate finance lease receivables | **928,069** | 911,837 |
| Variable-rate finance lease receivables | **925,451** | 1,254,420 |
| | **1,853,520** | 2,166,257 |

*Note:* The minimum lease receipts amounts as at 31 December 2016 and 2015 are presented using the prevailing People's Bank of China Renminbi Lending Rate ("PBC rate") as at 31 December 2016 and 2015 respectively.

**Movement in provision for finance lease receivables**

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **112,353** | 38,195 |
| Impairment loss recognised | **44,055** | 81,723 |
| Written off of impairment losses previously recognised | **(38,506)** | (4,982) |
| Exchange realignment | **(6,241)** | (2,583) |
| At 31 December | **111,661** | 112,353 |

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK$111,661,000 (2015: HK$112,353,000), 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.

## 16. INVENTORIES

Inventories as at 31 December 2015 represented goods held for resale.

## 17. ENTRUSTED LOAN PAYMENT RECEIVABLE

Pursuant to the entrusted loan contract entered into between a related company (a subsidiary of Shougang Corporation) and the Group on 28 January 2015, the Group agreed to provide the related company with entrusted loan amounting to approximately US$9,302,000 (equivalent to approximately HK$72,093,000) at a fixed interest rate of 5.6% per annum, with a maturity date of 2 February 2016. Interest income of HK$691,000 (2015: HK$3,384,000) has been recognised in profit or loss during the year ended 31 December 2016. The amount was fully settled in February 2016.

## 18. TRADE RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Rental receivables | **1** | 81 |

No credit period to its trade customers.

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 90 days | **1** | 74 |
| 91 – 180 days | **–** | 7 |
| | **1** | 81 |

## 19. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2016 and 2015 represented equity securities as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Listed equity securities: | | |
| – in Hong Kong | **3,275** | 3,172 |
| – in Mainland China | **1,569** | 1,744 |
| | **4,844** | 4,916 |

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

## 20. AVAILABLE-FOR-SALE INVESTMENTS

The investments as at 31 December 2016 represent equity interests in private entities established in Mainland China (31 December 2015: 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.

## 21. STRUCTURED DEPOSITS

The structured deposit as at 31 December 2016 consisted of principal-protected deposits HK$11,111,000 (2015: HK$90,588,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposit carries interest at expected interest rate of 3.5% (2015: 3.0% to 3.6%) per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the banks, payable on maturity of 30 days (2015: 90 to 91 days) from the date of purchase. The structured deposit was designated at 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, approximate to its carrying value.

All structured deposit was redeemed in January 2017. 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 2016 as the effect is not significant.

## 22. SECURED BANK BORROWINGS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Secured bank borrowings | **933,208** | 1,556,282 |
| Less: loan raising costs | **(4,740)** | (7,843) |
| | **928,468** | 1,548,439 |
| Carrying amount repayable *(Note)*: | | |
| Within one year | **444,958** | 499,014 |
| More than one year, but not exceeding two years | **464,593** | 465,956 |
| More than two years, but not exceeding three years | **–** | 491,922 |
| | **909,551** | 1,456,892 |
| 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) | **2,629** | 72,634 |
| 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) | **16,288** | 18,913 |
| | **928,468** | 1,548,439 |
| Less: Amounts due within one year shown under current liabilities | **(463,875)** | (590,561) |
| Amounts due after one year | **464,593** | 957,878 |

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Analysed for reporting purpose: | | |
| Fixed-rate secured bank borrowings | **110,630** | 210,785 |
| Variable-rate secured bank borrowings | **817,838** | 1,337,654 |
| | **928,468** | 1,548,439 |

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

| | 2016 | 2015 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate secured bank borrowings | **4.8%** | 4.8% |
| Variable-rate secured bank borrowings | **1.8% to 7.2%** | 1.2% to 7.2% |

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:

| | 2016<br>*HK$'000* | 2015<br>*HK$'000* |
|---|---|---|
| Denominated in HK$ | **18,917** | 91,547 |

## 23. SHARE CAPITAL

| | Number of Shares | | | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016**<br>***HK$'000*** | 2015<br>*HK$'000* |
| Ordinary shares of HK$0.01 each | | | | |
| Authorised: | | | | |
| At 1 January and 31 December | **10,000,000,000** | 10,000,000,000 | **100,000** | 100,000 |
| Issued and fully paid: | | | | |
| At 1 January | **2,672,192,469** | 1,152,192,469 | **26,722** | 11,522 |
| Issue of shares *(Note)* | **–** | 1,520,000,000 | **–** | 15,200 |
| At 31 December | **2,672,192,469** | 2,672,192,469 | **26,722** | 26,722 |

*Note:* Upon the completion of shares placing by third parties and shares subscription by Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a company incorporated in Hong Kong with limited liability and the ultimate holding company of Shougang Holding is Shougang Corporation, a company established in the PRC on 29 June 2015, the Company issued 1,520,000,000 ordinary shares at the price of HK$0.41 per share. The net proceeds from the placing and subscription was injected into South China Leasing, an indirect non-wholly-owned subsidiary of the Company.

## 24. CHARGE ON ASSETS

As at 31 December 2016, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$94,260,000 (2015: HK$97,500,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$18,917,000 (2015: HK$21,547,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$913,354,000 (2015: HK$1,463,190,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$909,551,000 (2015: HK$1,456,892,000).

(iii) There were bank deposits of approximately HK$26,606,000 (2015: HK$35,200,000) 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$136,032,000 (2015: HK$269,168,000).

## 25. 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 loss for the period/year from the discontinued trading of goods operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the trading of goods operation as a discontinued operation.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **4,501** | 2,890 |
| Cost of sales | **(4,351)** | (2,709) |
| Other income | **8** | 35 |
| Distribution costs and selling expenses | **(216)** | (222) |
| Administrative expenses | **(335)** | (266) |
| Loss for the period/year | **(393)** | (272) |
| Gain on disposal recognised in profit and loss | **89** | – |
| | **(304)** | (272) |

Loss for the period/year from discontinued operation has been arrived at after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Staff costs | | |
| – Salaries, wages and other benefits | **5** | 6 |
| – Retirement benefit scheme contributions | **–** | – |
| Auditor's remuneration | **–** | – |
| Depreciation | **79** | 130 |
| Loss on written off of property, plant and equipment | **1** | – |

Cash flows for the period/year:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net cash inflow (outflow) from operating activities | **2,639** | (5) |
| Net cash inflow from investing activities | **8** | 35 |
| Net cash outflow from financing activities | **(3,035)** | (37) |
| Net cash outflow | **(388)** | (7) |

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

| **Net assets disposed of:** | *HK$'000* |
|---|---|
| Property, plant and equipment | 26 |
| Prepayments, deposits and other receivables | 267 |
| Inventories | 1,326 |
| Bank balances and cash | 465 |
| Other payables and accruals | (267) |
| | 1,817 |
| Non-controlling interests | (182) |
| Gain on disposal recognised in profit and loss | 89 |
| Cash consideration | 1,724 |

| **Net cash inflow arising on disposal** | *HK$'000* |
|---|---|
| Cash consideration | 1,724 |
| Less: bank balances and cash disposed of | (465) |
| | 1,259 |

## FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2015: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2017 to Friday, 26 May 2017 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Friday, 26 May 2017 (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, 19 May 2017 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

| | **2016**<br>***HK$'000*** | 2015<br>*HK$'000*<br>(Restated) | +/(-)<br>Change |
|---|---|---|---|
| **Financial performance** | | | |
| Revenue from continuing operations | **106,578** | 60,276 | 77% |
| Gross profit margin from continuing operations (%) | **43%** | 45% | -2% |
| Loss attributable to owners of the Company from continuing and discontinued operations | **(82,375)** | (55,244) | -49% |
| **Key financial indicators** | | | |
| Total cash | **240,314** | 565,439 | -57% |
| Total assets | **2,524,472** | 3,331,552 | -24% |
| Total liabilities | **1,061,140** | 1,695,526 | -37% |
| Bank borrowings | **928,468** | 1,548,439 | -40% |
| Equity attributable to owners of the Company | **1,198,271** | 1,354,580 | -12% |
| Current ratio | **183%** | 200% | -17% |
| Net debt to total equity | **47%** | 60% | -13% |
| Basic loss per share from continuing and discontinued operations (HK cents) | **(3.08)** | (2.87) | 7% |

**Financial Overview**

The Group recorded 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, when compared with a loss of approximately HK$55,244,000 for the year ended 31 December 2015 attributable to owners of the Company from continuing and discontinued operations, the increase in loss was mainly attributable to the impairment loss of approximately HK$44,055,000 made by the Group on certain finance lease receivables for the finance leasing and other financial services segment and the impairment loss of approximately HK$43,019,000 on interest in an associate. Revenue of the Group from continuing operations for the year ended 31 December 2016 was approximately HK$106,578,000 represented an increase of approximately 77% when compared with that of approximately HK$60,276,000 for the year of 2015. The increase was mainly attributable to the increase in income from the finance leasing and other financial services segment. The Group returned a gross profit from continuing operations of approximately HK$45,448,000 for the year ended 31 December 2016, representing a gross profit margin of approximately 43%, which is a slight decrease when compared with the gross profit margin of approximately 45% for the year 2015. Basic loss per share from continuing and discontinued operations for the year ended 31 December 2016 was HK3.08 cents (2015: loss per share from continuing and discontinued operations HK2.87 cents).

Revenue of the Group from continuing operations for the year ended 31 December 2016 was approximately HK$106,578,000, represented an increase of approximately 77% when compared with that of approximately HK$60,276,000 for the year of 2015. The increase was mainly attributable to the increase in income from the finance leasing and other financial services segment by approximately HK$46,816,000.

The Group made a gross profit from continuing operations of approximately HK$45,448,000 for the year ended 31 December 2016, representing a gross profit margin of approximately 43%, which is a slight decrease when comparing with the gross profit margin of 45% for the year 2015 which was mainly attributable to the decrease in gross profit margin from the finance leasing and other financial services segment.

Other income from continuing operations for the year ended 31 December 2016 amounted to approximately HK$11,451,000 (2015: HK$5,496,000), representing an increase of approximately 108%. The increase was mainly due to increase in interest penalty received on overdue finance lease receivables and increase in interest income from bank deposits.

Administrative expenses from continuing operations for the year ended 31 December 2016 amounted to approximately HK$33,248,000 (2015: HK$41,281,000), representing a decrease of approximately 19%. The decrease was mainly due to the decrease in professional service fees for the development of the finance leasing business.

For the year ended 31 December 2016, share of loss from associated companies amounted to approximately HK$25,349,000 (2015: profit of HK$4,483,000), impairment loss of approximately HK$43,019,000 on interest in an associate was made during the year (2015: Nil).

**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 85% to approximately HK$101,967,000 (2015: HK$55,151,000), while the segment recorded a loss of approximately HK$2,960,000 (2015: loss of HK$67,591,000). The increase in revenue from the finance leasing and other financial services segment was mainly attributed to certain finance leases carried out during the year with the subsidiaries of the Company's ultimate holding company. The segmental loss was mainly attributed to the impairment loss of approximately HK$44,055,000 (2015: HK$81,723,000) made on certain finance lease receivables. Excluding the effect of the impairment on finance lease receivables, the finance leasing and other financial services segment showed growth in its operation. During the past two years, after overall consideration of the business risk, assets conditions, on-site inspections, litigation progress and other factors associated with such customers, the Group made provision for impairment on certain finance lease receivables from such customers.

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, based on the ever strengthening and improving risk control mechanism, the finance leasing and other financial services 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.

*Property Investment and Management*

During the year, revenue from the property leasing and building management services segment decreased by 10% to approximately HK$4,611,000 (2015: HK$5,125,000), while the segment recorded a profit of approximately HK$8,496,000 (2015: HK$16,765,000). 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. The decrease in segment result was mainly attributable to 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$4,670,000 during the year 2016 (2015: fair value increase of HK$12,455,000).

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 did not record any revenue from continuing operations (2015: Nil) while the segment recorded a profit of approximately HK$133,000 (2015: HK$168,000). The decrease in profit was mainly attributable to the decrease in interest income. During the year, trading of goods business was disposed and discontinued.

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-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.

**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 2016 as compared to 31 December 2015 is summarized below:

| | **31 December 2016** | 31 December 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Total borrowings | | |
| Current borrowings | **463,875** | 590,561 |
| Non-current borrowings | **464,593** | 957,878 |
| sub-total | **928,468** | 1,548,439 |
| Total cash | | |
| Bank balances and cash | **202,597** | 439,651 |
| Structured deposits | **11,111** | 90,588 |
| Restricted bank deposits | **26,606** | 35,200 |
| sub-total | **240,314** | 565,439 |
| Net borrowings | **688,154** | 983,000 |
| Total equity | **1,463,332** | 1,636,026 |
| Total assets | **2,524,472** | 3,331,552 |
| Financial leverage | | |
| Net debt to total equity | **47%** | 60% |
| Net debt to total assets | **27%** | 30% |
| Current ratio | **183%** | 200% |

As at 31 December 2016, the Group had bank balances and cash of approximately HK$202,597,000 (31 December 2015: HK$439,651,000), structured deposits of approximately HK$11,111,000 (31 December 2015: HK$90,588,000) and restricted bank deposits of approximately HK$26,606,000 (31 December 2015: HK$35,200,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly from the repayment of bank loans of approximately HK$541,829,000, netting off with the net cash inflow from operating activities of approximately HK$232,613,000 and net proceeds from redemption of structured deposits of approximately HK$74,443,000.

As at 31 December 2016, the Group's borrowings amounted to approximately HK$928,468,000, of which approximately HK$463,875,000 were repayable within twelve months from 31 December 2016 and approximately HK$464,593,000 were repayable after twelve months from 31 December 2016. During the year, the Group did not obtain any new bank borrowings. All loans bore interest at market rates.

**Capital Structure**

The equity attributable to owners of the Company amounted to approximately HK$1,198,271,000 as at 31 December 2016 (31 December 2015: HK$1,354,580,000). The decrease was mainly due to the loss for the year ended 31 December 2016 attributable to owners of the Company from continuing and discontinued operations of approximately HK$82,375,000 and exchange differences arising on translation of approximately HK$73,320,000 in total during the year. The Company did not issue any new shares during the year. The issued share capital of the Company was HK$26,722,000 (represented by 2,672 million ordinary shares).

**Material Acquisition, Disposals and Significant Investment**

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. Except for this disposal, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2016.

**Charge on Assets**

As at 31 December 2016, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$94,260,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$18,917,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$913,354,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$909,551,000.

(iii) There were bank deposits of approximately 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$136,032,000.

**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 2016, the Group has no significant foreign exchange exposure.

**Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2016.

**Employees**

As at 31 December 2016, the Group employed 50 (31 December 2015: 50) 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 2016, 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 2016. 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 2016 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, 23 March 2017

*As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Xu Liang (Managing Director), Mr. Wang Tian (Deputy Managing Director), Mr. Yang Junlin (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*