SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

Annual Report 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Xu Liang *(Chairman)*
Liu Dongsheng *(Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tam King Ching, Kenny
(Independent Non-executive Director)
Zhou Jianhong
(Independent Non-executive Director)
Yip Kin Man, Raymond
(Independent Non-executive Director)

EXECUTIVE COMMITTEE
Xu Liang *(Chairman)*
Liu Dongsheng

AUDIT COMMITTEE
Tam King Ching, Kenny *(Chairman)*
Zhou Jianhong
Yip Kin Man, Raymond

NOMINATION COMMITTEE
Xu Liang *(Chairman)*
Leung Shun Sang, Tony
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

REMUNERATION COMMITTEE
Tam King Ching, Kenny *(Chairman)*
Xu Liang
Leung Shun Sang, Tony
Zhou Jianhong
Yip Kin Man, Raymond

COMPANY SECRETARY
Cheng Man Ching

AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL REGISTRAR
Estera Management (Bermuda) Ltd.
Canon's Court,
22 Victoria Street,
Hamilton, HM 12,
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG
Rooms 1101-04, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

STOCK CODE
730

WEBSITE
www.shougang-grand.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Xu Liang, aged 52, senior accountant, graduated from Fudan University and obtained a bachelor degree in statistics and a master degree in business administration from Tsinghua University. Mr. Xu was appointed as Executive Director and Managing Director in January 2017, and was appointed as the Chairman of the board of directors of the Company (the "Board") in June 2017. He ceased to act as the Managing Director of the Company from January 2018. Mr. Xu is the chairman of the Executive Committee and the Nomination Committee, and a member of the Remuneration Committee. He is also the chairman and an executive director of Global Digital Creations Holding Limited ("GDC"). Mr. Xu joined the group of Shougang Group Co., Ltd ("Shougang Group") in 1988 and held various senior positions. He is the managing director of Shougang Holding (Hong Kong) Limited ("Shougang Holding"). Shougang Holding is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") while Shougang Group is the holding company of Shougang Holding. Mr. Xu has extensive experience in management.

A service agreement was entered into between Mr. Xu and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2017. Under the service agreement, Mr. Xu is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. For financial year 2017, Mr. Xu's monthly salary is HK$200,000. For financial year 2018, Mr. Xu ceased to act as Managing Director of the Company and his monthly salary has been adjusted to HK$180,000. Such salary was determined by the Remuneration Committee with reference to Mr. Xu's roles and duties as well as the then prevailing market conditions.

Mr. Liu Dongsheng, aged 51, holds a bachelor degree in biology in Beijing Normal University, double degree in Economics (Distance Learning) in Beijing Construction Engineering College and a master degree in business administrative in Institute of NHTV Breda University of Applied Sciences. Mr. Liu was appointed as Executive Director and Managing Director in January 2018, and is a member of the Executive Committee. Mr. Liu was an independent director of Zhejiang Canaan Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange, from August 2014 to April 2016. He was also the supervisor of the Department of Securities and Capital Operation of Beijing Energy Investment Holding Co., Ltd, the Managing Director of the Investment Department and Head of Strategic Client Division in China Merchants Securities (HK) Co., Ltd., and the legal representative and General Manager of Shenzhen Merchants Zhiyuan Consulting Company Limited. Mr. Liu has extensive experience in finance and securities, assets management, research and investment.

A service agreement was entered into between Mr. Liu and a wholly-owned subsidiary of the Company for a term commencing on 6 January 2018 and ending on 31 December 2019. Under the service agreement, Mr. Liu is entitled to a salary and discretionary bonus as may be determined by the Board or its delegated committee(s) from time to time. For the financial year 2018, Mr. Liu's monthly salary is HK$220,000. Such salary was determined by the Remuneration Committee with reference to Mr. Liu's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Leung Shun Sang, Tony, aged 75, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in July 1995 and is a member of each of the Nomination Committee and the Remuneration Committee. He is also a non-executive director of each of Shougang Concord International Enterprises Company Limited ("Shougang International"), Shougang Fushan Resources Group Limited ("Shougang Resources"), Shougang Concord Century Holdings Limited ("Shougang Century"), GDC and HNA Holding Group Co. Limited (now known as CWT International Limited). Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has extensive experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2017. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Mr. Leung is HK$190,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Tam King Ching, Kenny, aged 68, holds a bachelor's degree in commerce from Concordia University, Canada. Mr. Tam was appointed an Independent Non-executive Director of the Company in February 1996 and is the chairman of each of the Audit Committee and the Remuneration Committee, as well as a member of the Nomination Committee. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Chartered Professional Accountants of Ontario, Canada (formerly named as the Institute of Chartered Accountants of Ontario, Canada). He is serving as a member of each of the Restructuring and Insolvency Faculty Executive Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. He also serves as an independent non-executive director of certain listed companies on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely, BeijingWest Industries International Limited ("BeijingWest International"), CCT Fortis Holdings Limited, CCT Land Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited, Hong Kong Shanghai Alliance Holdings Limited, West China Cement Limited and Wisdom Education International Holdings Company Limited.

An engagement letter was entered into with Mr. Tam for a term of three years commencing on 1 January 2017. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Mr. Tam is HK$240,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Ms. Zhou Jianhong, aged 52, graduated from Peking University with a master degree in economic law. Ms. Zhou was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. She is a practising solicitor in Hong Kong.

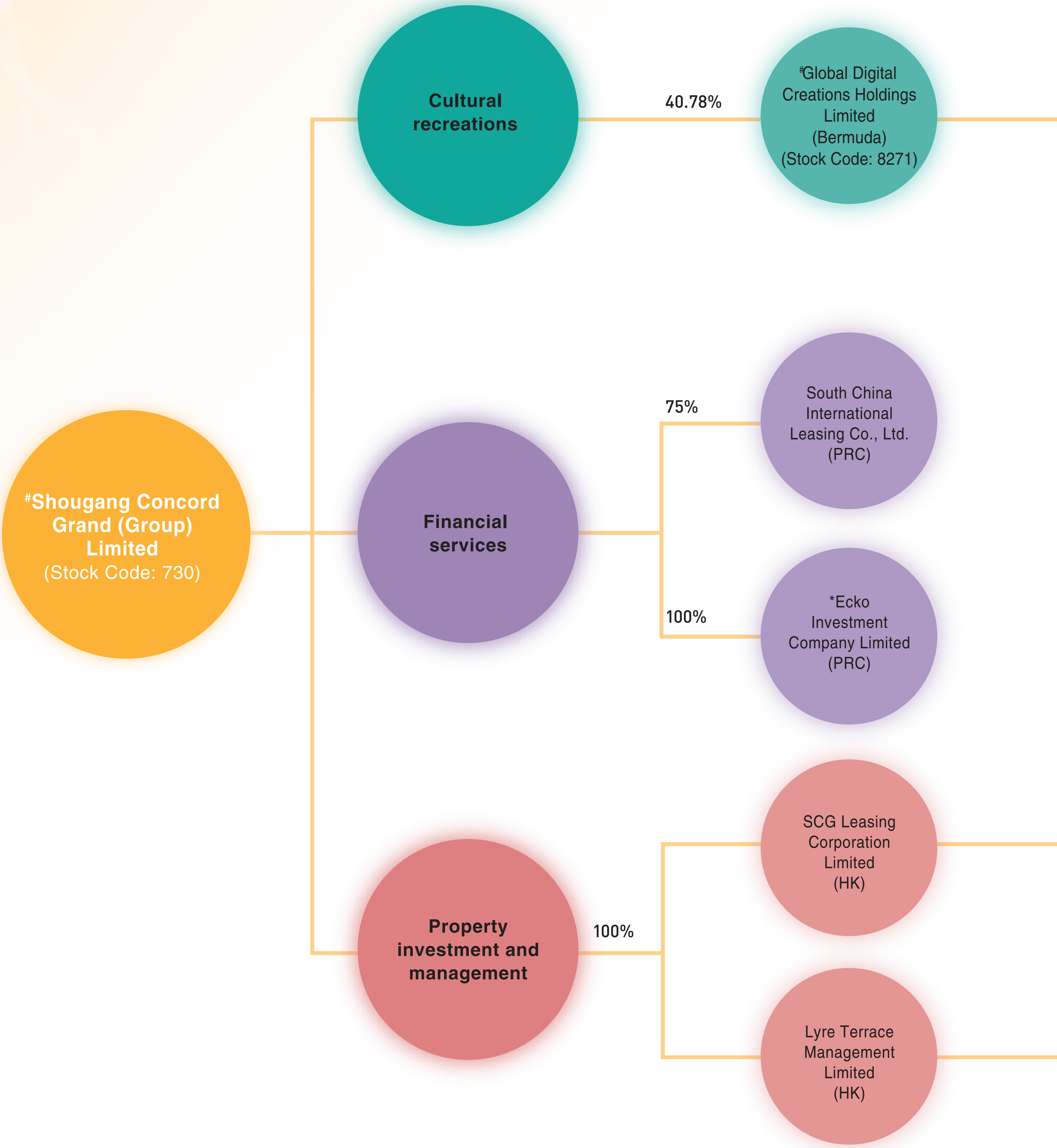
An engagement letter was entered into with Ms. Zhou for a term of three years commencing on 1 January 2017. Under the engagement letter, Ms. Zhou is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Ms. Zhou is HK$240,000 for a full year. Such director's fee was determined by the Board with reference to Ms. Zhou's experience and duties as well as the then prevailing market conditions.

Mr. Yip Kin Man, Raymond, aged 71, holds a bachelor's degree in arts with honors from the University of Hong Kong. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2007 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. He is also an independent non-executive director of each of Shougang Century and BeijingWest International. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC. He has extensive experience in legal profession.

An engagement letter was entered into with Mr. Yip for a term of three years commencing on 1 January 2017. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2017 and 2018, the director's fee of Mr. Yip is HK$240,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

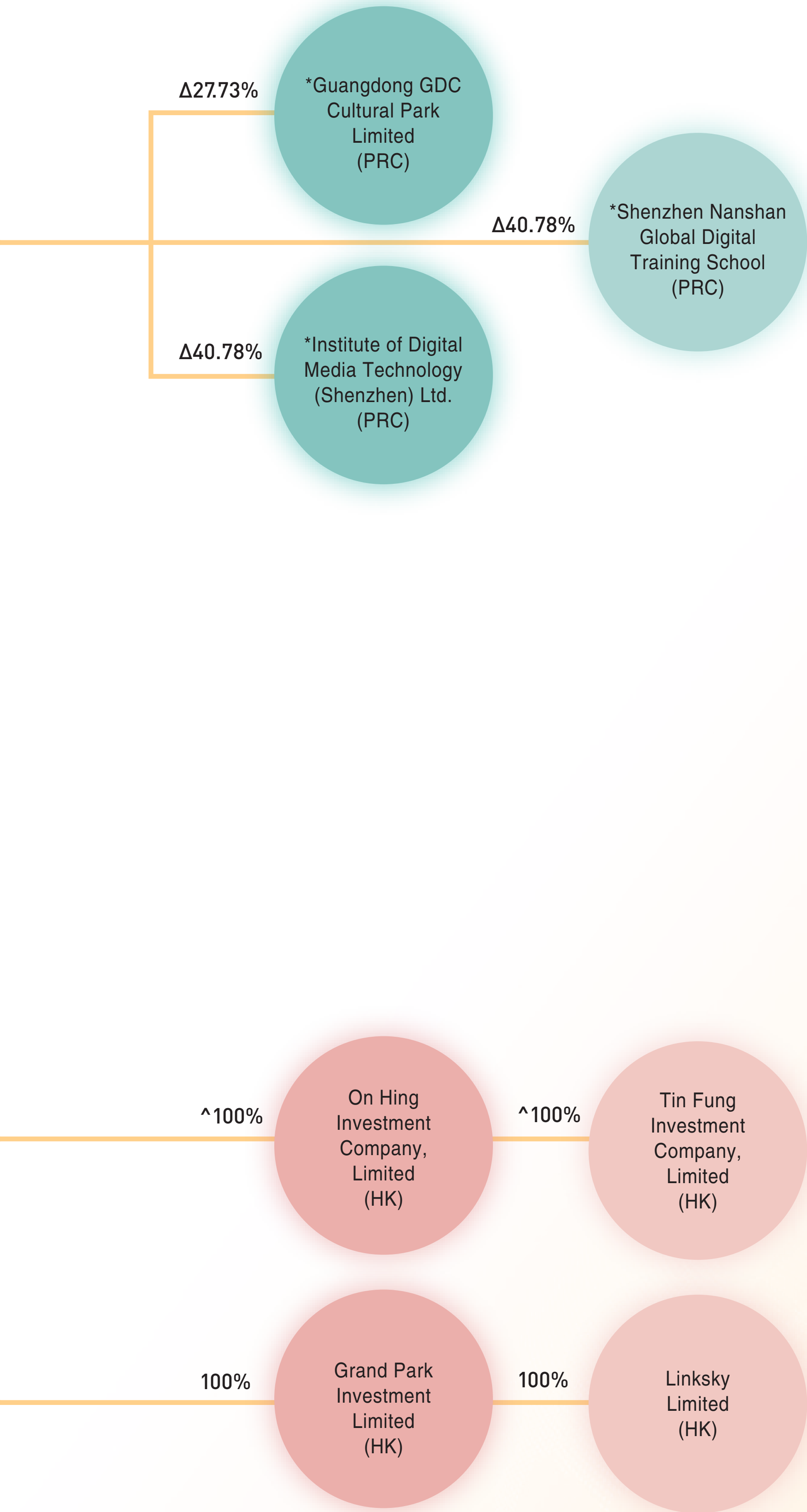
MAIN OPERATIONAL STRUCTURE

AS AT 31 DECEMBER 2017



MAIN OPERATIONAL STRUCTURE

AS AT 31 DECEMBER 2017

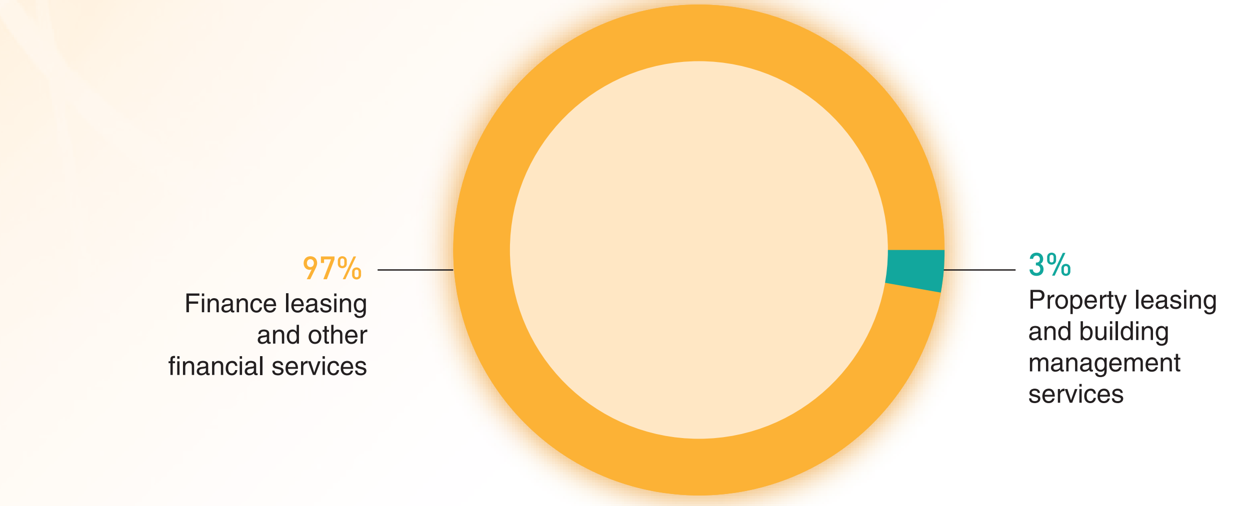


Notes:

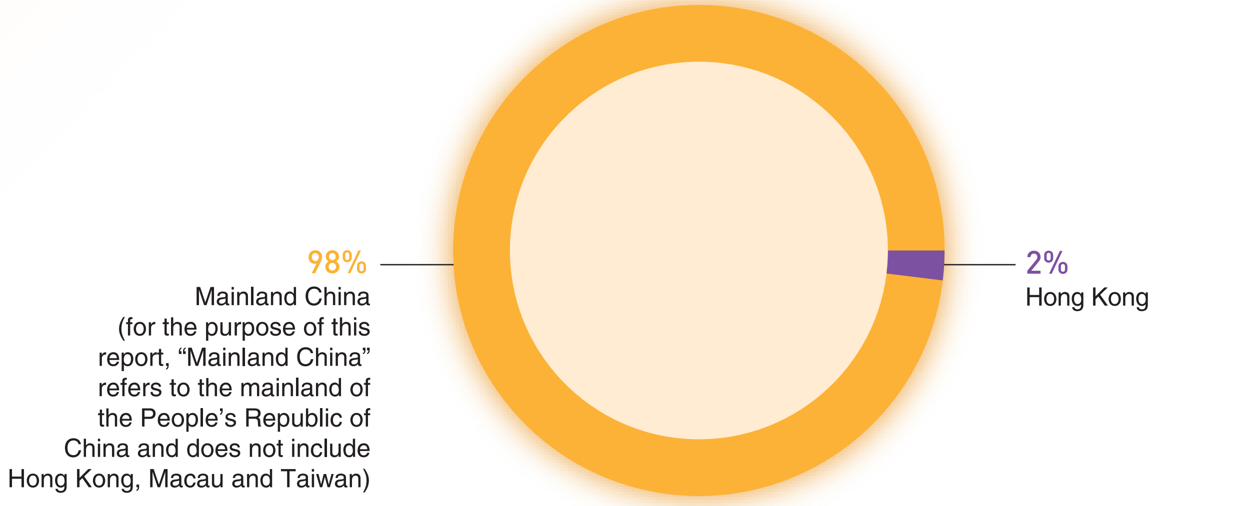
#	Listed company
*	For identification purpose only
Δ	Attributable interest held by Shougang Concord Grand (Group) Limited
^	Interests only refer to voting shares

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2017



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2017



CHAIRMAN'S STATEMENT

I am pleased to present the 2017 annual report of the Group. Under the strong leadership and support of the Board, as of the end of 2017, the total assets of the Group reached approximately HK$2.6 billion and revenue for the year uplifted steadily by 3% to approximately HK$110 million.

Looking back at 2017, the global economy climbed out of the sluggish growth and entered into a recovery cycle. Benefiting from the leading economic recovery in advanced countries that boosting the real economy running in global investment, trade and industrial production, the financial market experienced flurry activities and the economic growth performed better than expected. The economic development of Mainland China was "stable and better than expected", of which the gross domestic product of Mainland China achieved growth of 6.9% in 2017. The improving global economic environment brought us both challenges and opportunities. Upholding persistently our approach of seeking progress while ensuring stability, we will seize the business opportunities arising from such state policies as "One Belt, One Road" and RMB internationalization in order to enhance our core value in a consistent manner.

In respect of finance leasing segment, the Company and Shougang Group Co., Ltd. (formerly known as Shougang Corporation) entered into a master loan facility agreement with an aggregate principal amount of RMB8 billion, which continued to bring impetus to business expansion. At the same time, the Group strived to optimize its financing structure, actively explored both domestic and overseas financing channels and achieved flexible deployment of its resources. While commencing proactive business expansion, the Group also placed its emphasis on risk management, being committed to maintain excellent assets quality.

In respect of asset management, the Group will actively line up market investment needs with industrial development opportunities to broaden related business and explore new room for development in order to discover potential opportunities. For property management, riding on the strong rally of Hong Kong property market, the Group had disposed certain of its investment properties in Hong Kong (including residential, commercial and industrial units) in the past few years, which realized capital gains into cash flow and provided rooms to optimize our investment property portfolio. The Group will continue to monitor the changes in the property market and will seek for potential investment projects and investment opportunities.

In 2017, the Group's associated company, Global Digital Creations Holdings Limited ("GDC") suffered loss. The management believes GDC is still heading to a long-term and positive prospect.

CHAIRMAN'S STATEMENT

Looking forward to 2018, the global economy will remain to be filled with uncertainties. Different speed of economic growth for domestic and overseas economies, the move of global monetary policies, as well as the trend and fluctuation of international financial exchange rate are expected to spark market volatility. While cautiously monitoring credit risk, the Group will try its best endeavors to explore new business model in order to grasp market opportunities and tackle with challenges. It will also expand the mode and level for the flexible application of finance leasing so as to enlarge its scope of services and promote efficiency in leasing service. Effort will be placed on the extension of financial credit and the flexible adjustment on the scale of financing both domestically and internationally so as to ensure sustainable healthy development.

A prudent philosophy of good governance and sound risk management is fundamental to create long-term value. The Group always attends to maintain assets quality and financial resources, so as to pave a solid foundation for the Group's long-term development. A sound risk management enables the Group to capture every business opportunity and respond to the ever-changing market conditions flexibly. Based on effective risk management, the Group has been proactively seeking for business expansion and exploring new opportunities through cautious strategic deployment.

The Group will focus on the development of innovative financial services industry. Through integration of financial and industrial needs, it will provide supporting financial services to enterprises with an aim to enlarge the Group's financial service scale. By devoting more resources to develop innovative financial services products, the Group will continue to optimize the industrial structure of its financial services and implement timely measures to fine tune our development strategies, thereby enabling sustainable growth of the Group and continuously enhancing value for the shareholders.

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

Xu Liang
Chairman

Hong Kong, 22 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL KEY PERFORMANCE INDICATORS

The financial key performance indicators are analysed as below:

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

FINANCIAL OVERVIEW

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

FINANCIAL OVERVIEW (continued)

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

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

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

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

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

BUSINESS REVIEW AND OUTLOOK

Finance Leasing and Other Financial Services

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

BUSINESS REVIEW AND OUTLOOK (continued)

Finance Leasing and Other Financial Services (continued)

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

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

Property Investment and Management

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

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

BUSINESS REVIEW AND OUTLOOK (continued)

Assets Management

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

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

Corporate Strategy

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

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

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

MAJOR RISKS AND UNCERTAINTIES

Economic Environment and Individual Market Performance

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

MAJOR RISKS AND UNCERTAINTIES (continued)

Market Risks

The Group is exposed to certain market risks such as interest rate risk, credit risk and liquidity risk. The management of the Group manages and supervises these risks in order to ensure appropriate measures are adopted in time and effectively. Details are disclosed in Notes 37 and 38 to the Consolidated Financial Statements.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

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

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

CAPITAL STRUCTURE

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

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

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

CHARGE ON ASSETS

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

(i) The Group's investment properties with an aggregate carrying value of approximately HK$86,940,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$31,273,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$878,751,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$865,221,000.

(iii) There were bank deposits of approximately HK$19,811,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK$24,056,000.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

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

EMPLOYEES

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

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

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2017, except for the following deviation:

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

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

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of six Directors, being two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on pages 3 to 5 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

BOARD OF DIRECTORS (continued)

Board diversity

The Company adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the bye-laws of the Company (the "Bye-laws").

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them in performing their duties to the Company.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at the Board meeting.

Except for those circumstances permitted by the Bye-laws and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2017, the Directors have made active contribution to the affairs of the Group and five physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2017 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Xu Liang *(Chairman)*	5/5
(appointed as Chairman of the Board with effect from 14 June 2017)	
Li Shaofeng	2/2
(resigned with effect from 14 June 2017)	
Wang Tian	2/2
(resigned with effect from 14 June 2017)	
Yang Junlin	5/5
Yuan Wenxin	5/5
Non-executive Director	
Leung Shun Sang, Tony	5/5
Independent Non-executive Directors	
Tam King Ching, Kenny	5/5
Zhou Jianhong	5/5
Yip Kin Man, Raymond	5/5

BOARD OF DIRECTORS (continued)

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director, except for the Chairman and the Managing Director, is subject to retirement by rotation at least once every three years. In order to comply with applicable laws of Bermuda, the Bye-laws do not require the Chairman and the Managing Director to retire by rotation. However, they will voluntarily retire and offer themselves for re-election at least once every three years in order to comply with the second part of code provision A.4.2 of the CG Code.

All Directors (including all Non-executive Directors) have entered into service agreements or letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents not less than one-third of the Board.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors (continued)

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders.

Insurance for directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors and the Company is responsible for arranging and funding suitable training for the Directors.

BOARD OF DIRECTORS (continued)

Directors' training and professional development (continued)

All Directors have provided to the Company their records of training received during the financial year ended 31 December 2017, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Xu Liang	B	4
Li Shaofeng	B	4
Wang Tian	B	4
Yang Junlin	A	3
	B	4
Yuan Wenxin	B	4
Leung Shun Sang, Tony	B	4
Tam King Ching, Kenny	A	1, 2, 3
	B	4
Zhou Jianhong	A	1, 3
	B	4
Yip Kin Man, Raymond	A	1
	B	4

Note I:

A: Attending seminars, conferences, forums, in-house briefings or in-house training

B: Reading newspapers, journals and updates

Note II:

1: Laws, rules and regulations

2: Finance, accounting or taxation

3: Management

4: Businesses relating to the Company

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Xu Liang is the Chairman and Mr. Liu Dongsheng serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

The responsibilities of the Chairman include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;

- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;

- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;

- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

BOARD COMMITTEES (continued)

Executive Committee

An Executive Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

BOARD COMMITTEES (continued)

Executive Committee (continued)

During the year, seven physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties and the attendances of the members of the Executive Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Xu Liang *(chairman of the committee)* *(appointed as the member of the committee with effect from 1 January 2017 and as the chairman of the committee with effect from 14 June 2017)*	1/1
Li Shaofeng *(ceased to act as the chairman of the committee with effect from 14 June 2017)*	1/1
Wang Tian	1/1
Yang Junlin	1/1
Yuan Wenxin	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year includes, among other things, the following:

- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the year ended 31 December 2016.

BOARD COMMITTEES (continued)

Audit Committee

An Audit Committee of the Board was established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system, risk management and internal control systems; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprised all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee at those meetings are as follows:

Committee members	**Number of meeting(s) attended/eligible to attend**
Tam King Ching, Kenny *(chairman of the committee)*	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

BOARD COMMITTEES (continued)

Audit Committee (continued)

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2016; and
- reviewing the interim results of the Group for the six months ended 30 June 2017.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

Nomination Committee

A Nomination Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include, amongst other things:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;
- assessing the independence of Independent Non-executive Directors; and
- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, two physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee at those meetings are as follows:

Committee members	**Number of meeting(s) attended/eligible to attend**
Xu Liang *(chairman of the committee)*	0/0
(appointed as the chairman of the committee with effect from 14 June 2017)	
Li Shaofeng	2/2
(ceased to act as the chairman of the committee with effect from 14 June 2017)	
Leung Shun Sang, Tony	2/2
Tam King Ching, Kenny	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting;
- considering and making recommendations to the Board for the appointment of Mr. Xu Liang as Chairman of the Board, the chairman of each the Executive Committee and Nomination Committee and a member of the Remuneration Committee; and
- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board.

Remuneration Committee

A Remuneration Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The principal duties of the Remuneration Committee include, amongst other things:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;
- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year, one physical meeting of the Remuneration Committee was held and the attendances of the members of the Remuneration Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Tam King Ching, Kenny *(chairman of the committee)*	1/1
Xu Liang *(appointed as a member of the committee with effect from 14 June 2017)*	0/0
Li Shaofeng *(ceased to act as a member of the committee with effect from 14 June 2017)*	1/1
Leung Shun Sang, Tony	1/1
Zhou Jianhong	1/1
Yip Kin Man, Raymond	1/1

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- considering, reviewing and determining the remuneration of Mr. Xu Liang.

Details of remuneration paid to Directors and senior management for the year are set out in note 11 to the consolidated financial statements.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary are subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is of the opinion that an appropriate and effective risk management and internal control system will contribute to the operational effectiveness and efficiency of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board of the Group acknowledges its accountability to the risk management and internal control system and its responsibility to review the effectiveness of the system. The Board also clarifies that the system is purported to manage, but not eliminate, the risk of failure to fulfill business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Our risk management and internal control system is embedded within our business processes so that it functions as an integral part of the overall operation of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of corresponding authorities to each post. Based on our organization structure, a reporting system has been developed including reporting channels from division heads of every principal business unit to the Executive Committee.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Business plans and budgets are prepared by division heads of every principal business unit annually. In preparing them, our management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

These business plans and budgets are also subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management reports on the operational and financial results of every principal business unit and measures the actual performance of the Group against the business plans and budgets concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and ensures the adequacies of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The Executive Committee holds periodical meetings with the senior management of every principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

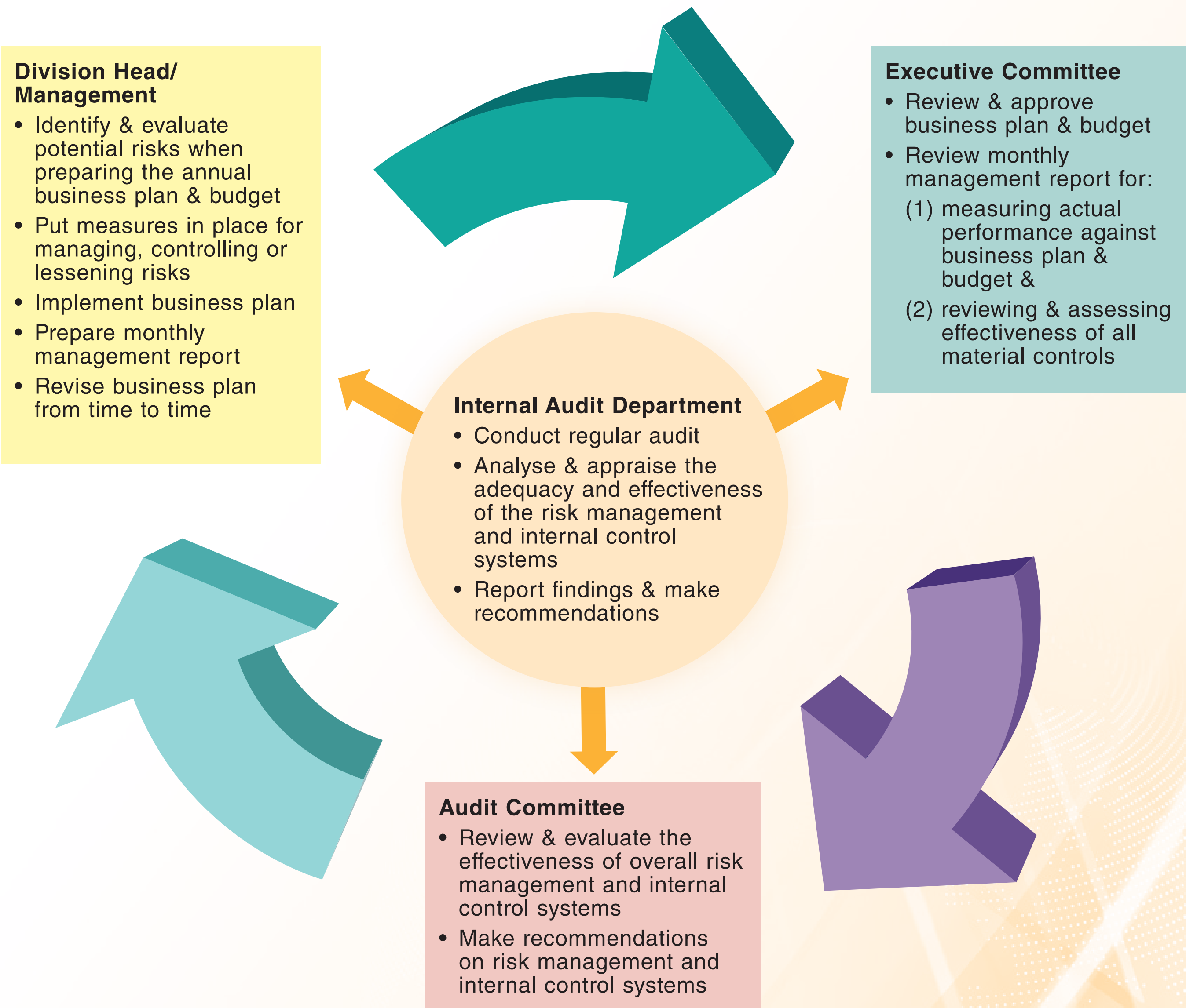
The internal control systems of the Group are documented and, if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's risk management and internal control function by reviewing and evaluating the effectiveness of our overall risk management and internal control system at least annually.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

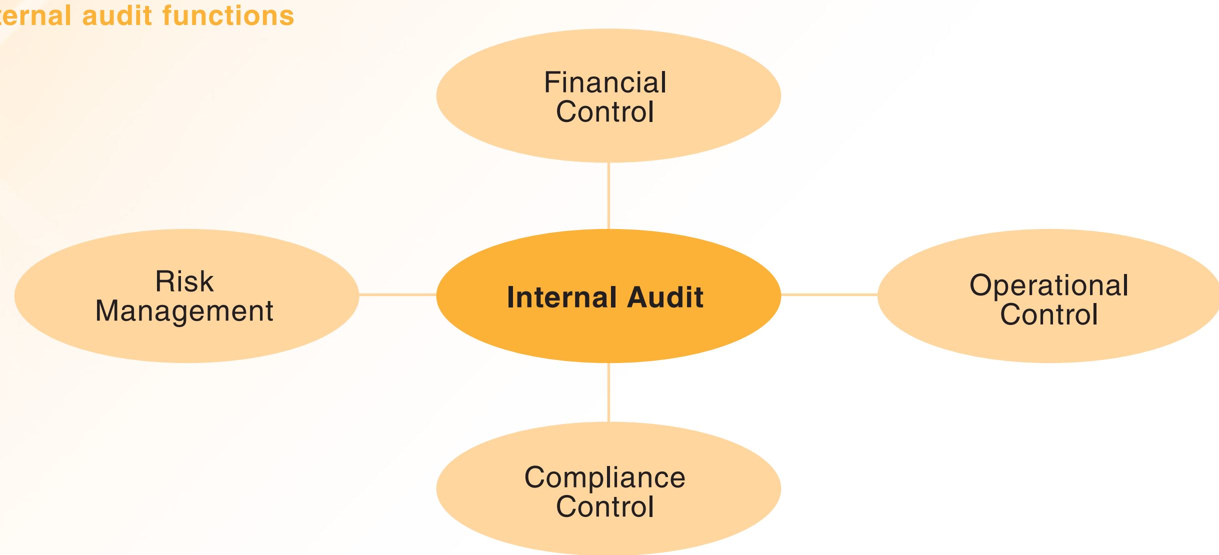
The Company sets up an Internal Audit Department in February 2006 which assists the Board and the Audit Committee to discharge its duties in risk management and internal control aspects. The Internal Audit Department, independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group and carrying out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control system of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the risk management and internal control systems of the Group.

Risk management and internal control systems



RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Internal audit functions



Based on the risk-based approach, the Internal Audit Department continuously review and monitor the sufficiency of the risk control measures of every business unit of the Group and to examine if relevant measures have been implemented. The procedures involve assuring of the existence of related risks in the first place, then assessing the levels to which the potential risks are attributed based on the following two risk factors, i.e., the level of significance of the risk and the possibility of occurrence. Afterwards, audit recommendations will be made and further discussed with the relevant management.

Level of significance The level of significance of the risk to the business unit under review and its effect/impact on various aspects, including corporate finance, operations or reputation, upon occurrence of the risk.

Possibility The possibility that the risk may occur under the current operation and internal control environment. Such possibility is only a subjective judgement and no statistical method or measurements have been applied.

The levels of risks to be determined after considering both risk factors:

Assessment basis of high-level risk Potential Risk Incidence:

- level of significance (high) and possibility (high); or
- level of significance (high) and possibility (medium); or
- level of significance (medium) and possibility (high).

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Definition of high-level risk	The potential risk is likely to occur. If it occurs, the overall operation or individual operational procedure and various aspects such as financial status, operational efficiency or results and corporate reputation may be significantly affected.
Assessment basis of medium-level risk	Potential Risk Incidence: • level of significance (medium) and possibility (medium); or • level of significance (high) and possibility (low); or • level of significance (low) and possibility (high).
Definition of medium-level risk	The potential risk is likely to occur. If it occurs, the overall operation or individual operational procedure and various aspects such as financial status, operational efficiency or results and corporate reputation may be affected to a medium or lower extent. Or, the potential risk may cause significant impact to the overall operations or individual operational procedure, but the possibility is relatively low.
Assessment basis of low-level risk	Potential Risk Incidence: • level of significance (low) and possibility (low); or • level of significance (medium) and possibility (low); or • level of significance (low) and possibility (medium).
Definition of low-level risk	The potential risk is unlikely to occur. Even if it occurs, the overall operation or individual operational procedure and various aspects such as financial status, operational efficiency or results and corporate reputation will not be significantly affected.

In addition, the key business unit of the Group has put in place an independent risk control department specializing in risk management and internal control in respect of project approval and subsequent follow-up works of the business unit. It will also conduct regular reporting to the responsible person of the business unit. The Internal Audit Department will review on a regular basis the performance of the risk control department of the key business unit and will report to the management of the Group and members of the Audit Committee any audit issues found, the potential risks and appropriate audit recommendations in the internal audit reports every half a year.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

At the same time, according to the work plan completion status of the Internal Audit Department during the year, it is the duty of the Managing Director of the Group to review whether or not the Group's overall risk management and internal control system is under appropriate and effective management, and to provide a written statement in this regard to the Board during the year-end audit. The written statement to be provided to the Board shall confirm the followings:

- The risk management and internal control system has been put in place to provide reasonable assurance of fulfilling the planned business objectives of the Group and to avoid material financial misstatement or loss.

- It is his responsibility to design, operate and monitor the Group's risk management and internal control system and to conduct regular review on its effectiveness.

- He has regular reviewed the Group's risk management and internal control system. The report in respect of any significant error or deficiency (if any) of the risk management and internal control system has been submitted to the Board and all necessary measures have been taken or currently being taken to rectify any error or deficiency.

- A set of effective procedures for the review of risk management and internal control system has been formulated and its scope and frequency of review have been defined.

- In order to provide to the Board a statement in respect of the risk management and internal control, during the reporting period, he has assessed the internal control and risk management covering all important aspects including financial control, operational control, compliance control as well as risk control functionalities.

Based on the said written statement as provided by the Managing Director, the advices provided by the Audit Committee and the audit recommendations as set forth in the reports issued by the Internal Audit Department, the Board will continue to oversee management of the Group in supervising the relevant departments to set up initiatives to handle various kinds of deficiencies found in risk management and internal control. Regular reviews on the improvement progress will be conducted by the Internal Audit Department and the result of which will be reported to the Audit Committee and the Board.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Finally, the Board considers that it is an ongoing and continuous process for the Group to review and improve its risk management and internal control systems in order to ensure that they can deal with the dynamic and ever changing business environment.

For the year ended 31 December 2017, the Board has been, through the Executive Committee and the Audit Committee with the assistance from the Internal Audit Department, continuously reviewing the effectiveness of the Group's risk management and internal control systems based on the following considerations:

- the changes, since the last review, in the nature and extent of significant risks and the Group's ability to respond to changes in business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent and frequency of communication of monitoring results to the Audit Committee and the Board which enables them to assess control of the Group and the effectiveness of risk management; and
- the effectiveness of the Group's processes for financial reporting and Listing Rules compliance.

During the year, internal audit reports in respect of the risk management and internal control system of the Group have been submitted by the Internal Audit Department to the Audit Committee and the Board for review. The Group has adopted appropriate audit recommendations to further improve its risk management and internal control system. The reviews conducted by the Internal Audit Department during the year mainly included the deficiencies in risk management and internal control found in respect of the project approval and post-lease management of South China International Leasing Co., Ltd., a non wholly-owned subsidiary of the Group. A detailed report has been made to the Audit Committee and the Board in this regard.

INSIDE INFORMATION DISCLOSURE POLICY

The Company adopted an inside information disclosure policy (the "Inside Information Disclosure Policy") on 21 December 2015 which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy covers the following:

- setting out the processes for identifying, assessing and escalating potential inside information to the Board;

- setting out the responsibilities of officers in preserving the confidentiality of inside information, escalating upwards any such potential information and cascading down the message and responsibilities to relevant staff; and

- identifying who are the Company's authorized spokespersons and their responsibilities for communications with stakeholders of the Company.

In addition, the Company has communicated to all relevant staff regarding the implementation of the Inside Information Disclosure Policy.

The Board considers that the Company's existing measures are effective and appropriate compliance mechanisms to safeguard the Company and its officers in discharging their disclosure obligations in respect of inside information.

The Inside Information Disclosure Policy is posted on the website of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2017.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	HK$'000
Audit services	1,163
Non-statutory audit services:	
Review on interim financial report	400
Special audit services	209
	1,772

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 71 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-grand.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

COMMUNICATION WITH SHAREHOLDERS (continued)

The auditor of the Company, Deloitte Touche Tohmatsu, attended the annual general meeting of the Company held on 26 May 2017 (the "2017 AGM") during the year. Details of the Directors' attendances at the 2017 AGM are as follows:

Directors (as at the date of the 2017 AGM)	Attendance at the 2017 AGM
Executive Directors	
Xu Liang	✓
Li Shaofeng	✓
Wang Tian	✓
Yang Junlin	✓
Yuan Wenxin	✓
Non-executive Director	
Leung Shun Sang, Tony	✓
Independent Non-executive Directors	
Tam King Ching, Kenny	✓
Zhou Jianhong	✓
Yip Kin Man, Raymond	✓

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of the general meetings were taken by way of a poll. At the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

SHAREHOLDERS' RIGHTS

Convene a special general meeting

Shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company carrying the right of voting at general meetings of the Company can make a requisition to convene a special general meeting pursuant to Clause 74 of the Companies Act 1981 of Bermuda (as amended). The requisition must state the purposes of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company.

Put forward proposals at shareholders' meetings

Shareholder(s) representing not less than one-twentieth (5%) of the total voting rights of all the shareholders of the Company or of not less than 100 shareholders of the Company may by requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meetings of the Company pursuant to Clauses 79 and 80 of the Companies Act 1981 of Bermuda (as amended). A written notice to that effect signed by the shareholder(s) concerned together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company not less than six weeks before the meeting for requisition(s) requiring notice of a resolution, or not less than one week before the meeting for any other requisition(s).

Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at the Company's principal office in Hong Kong or by email to the Company. In addition, shareholders can contact Tricor Tengis Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 18 and 41 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2017 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 72 to 181 of this annual report.

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

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 9 to 10 and pages 11 to 17 of this annual report respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 183 to 184 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

Particulars of the major investment properties of the Group as at 31 December 2017 are set out on page 182 of this annual report.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 31 to the consolidated financial statements.

DONATIONS

No charitable donation was made by the Group during the year (2016: Nil).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Xu Liang	
Liu Dongsheng	*(appointed with effect from 6 January 2018)*
Leung Shun Sang, Tony	
Tam King Ching, Kenny*	
Zhou Jianhong*	
Yip Kin Man, Raymond*	
Li Shaofeng	*(resigned with effect from 14 June 2017)*
Wang Tian	*(resigned with effect from 14 June 2017)*
Yang Junlin	*(resigned with effect from 6 January 2018)*
Yuan Wenxin	*(resigned with effect from 6 January 2018)*

* *Independent Non-executive Directors*

In accordance with bye-law 102(B) of the Company's Bye-Laws, Mr. Liu Dongsheng will be subject to, and offer himself for, re-election at the forthcoming annual general meeting of the Company. In accordance with bye-law 99 of the Company's Bye-Laws, Mr. Leung Shun Sang, Tony and Ms. Zhou Jianhong, will retire at the forthcoming annual general meeting of the Company, at which both of them will not offer themselves for re-election due to their other engagements.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the Company's bye-laws, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2017 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2017 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

(a) Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 31.12.2017
Name of Director	Capacity in which interests were held	Interests in shares	Derivative interests*	Total interests	
Yuan Wenxin	Beneficial owner	4,000,000	6,000,000	10,000,000	0.37%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	8,000,000	16,278,000	0.60%
Tam King Ching, Kenny	Beneficial owner	–	1,150,000	1,150,000	0.04%
Zhou Jianhong	Beneficial owner	–	1,150,000	1,150,000	0.04%
Yip Kin Man, Raymond	Beneficial owner	–	1,150,000	1,150,000	0.04%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in the shares of Global Digital Creations Holdings Limited ("GDC"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares in GDC	Interests as to % of the issued share capital of GDC as at 31.12.2017
Leung Shun Sang, Tony	Beneficial owner	30,008,200	1.98%

(c) Long positions in the shares of Shougang Concord International Enterprises Company Limited ("Shougang International"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares in Shougang International	Interests as to % of the issued share capital of Shougang International as at 31.12.2017
Leung Shun Sang, Tony	Beneficial owner	7,590,000	0.04%

Save as disclosed above, as at 31 December 2017, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements and contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2017, none of the Directors of the Company had any interest in a business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or is likely to compete, either directly or indirectly, with the businesses of the Group.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2017, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests or short positions in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 31.12.2017	*Note(s)*
Shougang Corporation	Interests of controlled corporations	1,350,491,315	50.53%	*1, 3*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	1,350,491,315	50.53%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	1,350,491,315	50.53%	*1*
Yip Wang Ngai	Interests of controlled corporation	213,600,000	7.99%	*2*
HY Holdings Limited ("HY Holdings")	Beneficial owner	213,600,000	7.99%	*2*

Notes:

1. Shougang Corporation indicated in its disclosure form dated 29 June 2015 (being the latest disclosure form filed up to 31 December 2017) that as at 29 June 2015, its interest in the Company was held by Shougang Holding, a wholly-owned subsidiary of Shougang Corporation. Shougang Holding's interest in the Company was the shares held by Wheeling, a wholly-owned subsidiary of Shougang Holding.

2. Mr. Yip Wang Ngai indicated in his disclosure form dated 30 June 2015 (being the latest disclosure form filed up to 31 December 2017) that as at 29 June 2015, his interest in the Company was held by HY Holdings which in turn was held as to 80% by Mr. Yip Wang Ngai.

3. Shougang Corporation has changed its corporate name to Shougang Group Co., Ltd. with effect from 27 May 2017.

Save as disclosed above, as at 31 December 2017, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" below, at no time during the year had the Company or any of its subsidiaries, and the controlling shareholder (as defined under the Listing Rules) or any of its subsidiaries entered into any contract of significance or any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme is set out below:

(a) The 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme is 40,770,000 which represents approximately 1.53% of the issued share capital of the Company as at the date of this annual report. As the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme since then. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Each of the grantees was required to pay HK$1.00 as a consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of offer.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2002 Scheme and the 2012 Scheme.

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the year. Details of the outstanding share options under the 2002 Scheme during the year are as follows:

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company						
Li Shaofeng	11,000,000	(11,000,000)[1]	–	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Luo Zhenyu	9,000,000	(9,000,000)[2]	–	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Wang Tian	5,094,000	(5,094,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	(6,000,000)[4]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	11,094,000	(11,094,000)	–			
Yuan Wenxin	9,094,000	(9,094,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	6,000,000[5]	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	15,094,000	(9,094,000)	6,000,000			
Leung Shun Sang, Tony	11,368,000	(11,368,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	8,000,000	–	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	19,368,000	(11,368,000)	8,000,000			
Tam King Ching, Kenny	1,136,000	(1,136,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	(1,136,000)	1,150,000			
Zhou Jianhong	1,136,000	(1,136,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	(1,136,000)	1,150,000			
Yip Kin Man, Raymond	1,136,000	(1,136,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	(1,136,000)	1,150,000			
	72,414,000	(54,964,000)	17,450,000			

SHARE OPTION SCHEMES (continued)

(a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Employees of the Group	1,900,000	(1,900,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	4,220,000	–	4,220,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	6,120,000	(1,900,000)	4,220,000			
Other participants	34,104,000	(34,104,000)[3]	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	18,500,000	–	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	600,000	–	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	53,204,000	(34,104,000)	19,100,000			
	131,738,000	(90,968,000)	40,770,000			

Note:

1. Such share options lapsed on 14 July 2017 according to the terms of the 2002 Scheme as a result of resignation of Mr. Li Shaofeng as an executive director of the Company on 14 June 2017.

2. Such share options lapsed on 1 February 2017 according to the terms of the 2002 Scheme as a result of resignation of Mr. Luo Zhenyu as an executive director of the Company on 1 January 2017.

3. Such share options lapsed on 19 January 2017, being the expiry date of the relevant exercise period.

4. Such share options lapsed on 14 July 2017 according to the terms of the 2002 Scheme as a result of resignation of Mr. Wang Tian as an executive director of the Company on 14 June 2017.

5. Subsequent to the year end date, Mr. Yuan Wenxin resigned as executive director of the Company with effect from 6 January 2018. Such share options lapsed on 22 January 2018.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for the period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 115,219,246, representing approximately 4.31% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2017, there was no share option outstanding under the 2012 Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed “Share Option Schemes” herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (whether on the Stock Exchange or otherwise) during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

DISTRIBUTABLE RESERVES

At the end of the reporting period, the Company had distributable reserves of approximately HK$122,851,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from sales of goods and rendering of services to the Group's five largest customers accounted for approximately 89% of the total revenue from sales of goods and rendering of services for the year and revenue from sales of goods and rendering of services to the largest customer included therein amounted to approximately 27%. Purchases from the Group's five largest suppliers accounted for approximately 97% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 83%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this annual report:

(i) Shougang Shuicheng Gangtie (Group) Co., Ltd. ("Shuigang") – Master Facility Agreement I

As stated in the announcement of the Company dated 10 October 2014 and in the circular of the Company dated 28 October 2014, a master facility agreement was entered into between the Company and Shuigang on 10 October 2014 (the "Master Facility Agreement I").

Pursuant to the Master Facility Agreement I, the Company has agreed to provide, or procure its subsidiaries to provide facilities by way of term loan and/or finance lease to Shuigang and/or its subsidiaries in an aggregate principal amount of up to HK$250,000,000 for a term of 3 years from 28 November 2014, the date on which all conditions precedent for the Master Facility Agreement I were fulfilled and the Master Facility Agreement I became effective (the "Facilities I").

For the Facilities I provided by way of term loan and/or finance lease, the interest rate payable by the borrower or lessee shall be at a rate equal to the cost of lending of the Company (or its subsidiaries) plus 1% to 5%, which shall be between 3.6% to 8.6% above the 3-month HIBOR if the facility is denominated in HKD and shall be between 2.15% below to 2.85% above the 3-year interest rate offered by The People's Bank of China if the facility is denominated in RMB. Unless otherwise agreed, interest payments shall be made on the expiry of the term of the facility.

CONTINUING CONNECTED TRANSACTIONS (continued)

(i) Shougang Shuicheng Gangtie (Group) Co., Ltd. ("Shuigang") – Master Facility Agreement I (continued)

The annual cap of the Facilities I for each of the financial years ending 31 December 2014, 31 December 2015, 31 December 2016 and 31 December 2017 is HK$276,250,000, being the possible maximum facility amount that can be granted under the Master Facility Agreement I plus the maximum interest income and the handling fee that can be charged by the Company (or its relevant subsidiary).

The entering into of the Master Facility Agreement I will enable the Group to earn a net interest income under the Master Facility Agreement I.

As at the date of the Master Facility Agreement I, Shougang Corporation (now known as Shougang Group Co., Ltd.) ("Shougang Group") was the holding company of Shougang Holding, which in turn was a controlling shareholder and connected person of the Company, and Shuigang, being a non wholly-owned subsidiary of Shougang Group, was an associate of the connected person of the Company. As such, the transactions contemplated under the Master Facility Agreement I constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the transactions contemplated under the Master Facility Agreement I (including the annual caps) exceed 100%, the Master Facility Agreement I constituted both a non-exempt continuing connected transaction and a very substantial acquisition for the Company under the Listing Rules.

The Master Facility Agreement I was subject to the following conditions precedent:

(i) the due execution and registration of the mortgage deed(s) regarding the mortgage of a commercial property by Shuigang or its subsidiaries in favour of the Company or the due execution by Shougang Corporation of an irrevocable joint and several guarantee in favour of the Company in respect of the obligations of Shuigang and its subsidiary under the Master Facility Agreement I; and

(ii) the approval of the Master Facility Agreement I by the independent shareholders of the Company in accordance with the requirements of the Listing Rules.

The Master Facility Agreement I and the annual caps thereunder were approved, confirmed and ratified by the independent shareholders of the Company on 14 November 2014. The mortgage agreement regarding the mortgage of the commercial building in favour of the Company was executed and the registration was completed on 28 November 2014.

CONTINUING CONNECTED TRANSACTIONS (continued)

(i) Shougang Shuicheng Gangtie (Group) Co., Ltd. ("Shuigang") – Master Facility Agreement I (continued)

On 23 June 2017, the Company has entered into the termination agreement with Shuigang to terminate the Master Facility Agreement I with immediate effect. Details of the termination agreement were disclosed in the announcement of the Company dated 23 June 2017.

(ii) Shougang Group – Master Facility Agreement II

As stated in the announcement of the Company dated 15 April 2015 and in the circular dated 26 May 2015, a master facility agreement was entered into between the Company and Shougang Group on 26 March 2015 (the "Master Facility Agreement II").

Pursuant to the Master Facility Agreement II, the Company has agreed to provide, or procure its subsidiaries to provide facilities by way of entrusted payment and/or finance lease to Shougang Corporation and/or its subsidiaries in an amount of up to RMB8,000,000,000 for a term of 3 years from 19 June 2015, the date on which the condition precedent for the Master Facility Agreement II was fulfilled and the Master Facility Agreement II became effective (the "Facilities II").

For the Facilities II provide by way of entrusted payment and/or finance lease, the interest rate payable by the borrower or the lessee shall be at a rate equal to the cost of lending of the Company (or its subsidiaries) plus 1% to 5%.

The annual cap of the Facilities II for each of the financial years ending 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 is RMB5,000,000,000, taken into account of the expected maximum outstanding balance of the facilities owed by the Shougang Group and/or its subsidiaries under the Master Facility Agreement II for each relevant year.

The entering into of the Master Facility Agreement II will enable the Group to earn a net interest income under the Master Facility Agreement II.

CONTINUING CONNECTED TRANSACTIONS (continued)

(ii) Shougang Group – Master Facility Agreement II (continued)

As at the date of the Master Facility Agreement II, Shougang Group was the holding company of Shougang Holding which in turn was a controlling shareholder and connected person of the Company. As such, the transactions contemplated under the Master Facility Agreement II constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the transactions contemplated under the Master Facility Agreement II (including the annual caps) exceed 100%, the Master Facility Agreement II constituted both a non-exempt continuing connected transaction and a very substantial acquisition for the Company under the Listing Rules.

The Master Facility Agreement II was subject to approval by the independent shareholders of the Company in accordance with the requirements of the Listing Rules.

The Master Facility Agreement II and the annual caps thereunder were approved, confirmed and ratified by the independent shareholders of the Company on 19 June 2015.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company must review the continuing connected transactions carried out under the Master Facility Agreement I and Master Facility Agreement II during the year and confirm whether the transactions thereunder had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The auditors of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions under the Master Facility Agreement I and Master Facility Agreement II took place during the year.

CONTINUING CONNECTED TRANSACTIONS (continued)

The transactions set out in note 40(a)(ii)(1), (2) and (3) to the consolidated financial statements were connected transactions which had been approved by the independent shareholders of the Company.

The transactions set out in note 40(a)(i) to the consolidated financial statements were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The transactions set out in notes 40(a)(ii)(4), 40(b) and 40(c) to the consolidated financial statements under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

As far as the transactions set out in note 40(d) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

1. Pursuant to the loan agreement entered into between South China International Leasing Company Limited ("South China Leasing") and Wing Lung Bank Limited ("Wing Lung Bank") on 16 November 2015 in relation to a loan in the amount of RMB1,000,000,000 (the "Loan"), South China Leasing undertook with Wing Lung Bank that, unless Wing Lung Bank otherwise agrees in writing, Shougang Corporation (now known as Shougang Group Co., Ltd.)("Shougang Group") shall, whether directly or indirectly, own not less than 50% interest in the Company and not less than 60% interest in South China Leasing throughout the term of the loan agreement. Breach of any of such undertakings will constitute an event of default upon which all amounts owing by South China Leasing to Wing Lung Bank under the loan agreement may become immediately payable. The Loan shall be repaid by South China Leasing by six instalments with the last instalment due on the date falling three years after the date of first drawn down of the Loan.

2. Pursuant to the facility letter (the "Facility Letter") entered into between SCG Finance Corporation Limited ("SCG Finance") and Chong Hing Bank Limited ("CHB") on 21 March 2018 in relation to a revolving term loan facility of HK$70,000,000 (the "Facility"). Pursuant to the Facility Letter, Shougang Group and Shougang Holding shall remain as the largest shareholder (directly or indirectly) of the Company during the term of the Facility. Breach of such condition will constitute an event of default upon which CHB may cancel the Facility or terminate the Facility and demand all outstanding amount under the Facility be immediately due and payable. The term of the Facility is subject to CHB's overriding right of repayment on demand.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 45 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2017 are set out in the Environmental, Social and Governance Report to be issued within three months after the publication of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 42 to the financial statements.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Xu Liang
Chairman

Hong Kong, 22 March 2018

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
首長四方(集團)有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 72 to 181, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

EMPHASIS OF MATTER

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

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Estimated impairment of finance lease receivables	
We identified the estimated impairment of finance lease receivables as a key audit matter due to significance of the carrying amount and significant judgment and estimates are required by the management on determining the amount of impairment of finance lease receivables. The impairment assessment requires management to make significant judgments regarding the identification of impaired finance lease receivables, the estimation of the present value of future cash flows expected to arise from the settlement of the finance lease with reference to the future settlement schedule and the fair value of the pledged assets less cost to sell on those overdue finance lease receivables. The Group also takes into consideration the financial positions and guarantee of the relevant customers, the expected timing, legal possession status and other uncertainties on realising the pledged assets. As disclosed in Notes 4 and 19 to the consolidated financial statements, the carrying amount of the Group's finance lease receivables was approximately HK$1,886,829,000, net of accumulated impairment losses of HK$97,315,000, and represents approximately 72% of total assets of the Group as at 31 December 2017. An impairment loss on finance lease receivables amounted to approximately HK$672,000 has been reversed during the year ended 31 December 2017.	Our procedures in relation to the estimated impairment of finance lease receivables included: • Understanding of the key controls over the granting of the finance leases and the management's impairment assessment in relation to the recoverability of finance lease receivables; • Evaluating the appropriateness of the identification of impaired finance lease receivables and the estimation of future cash flow expected with reference to the future settlement schedule; • Evaluating the appropriateness of management assessment of the fair value of the pledged assets, the financial positions and guarantee of the relevant customers, the expected timing, legal possession status and other uncertainties on realising the relevant pledged assets; and • Assessing the calculation methodology and basis of impairment loss recognised or reversed made use of our knowledge and industry practice, or by testing the settlements from respective customers.

KEY AUDIT MATTERS (continued)

Key audit matters	How our audit addressed the key audit matters
Estimated impairment of interest in an associate	
We identified the estimated impairment of interest in an associate as a key audit matter due to significant judgment and estimates are required by the management on determining the amount of impairment of interest in an associate, Global Digital Creations Holdings Limited ("GDC"). The impairment assessment requires management to exercise judgments in the determination of recoverable amount which is the higher of value in use and fair value less costs to sell. The Group has carried out an impairment testing to determine whether the Group's interest in GDC is impaired as indicated by the decline in the financial performance and the quoted market price of the shares of GDC. The value in use calculation is determined based on the cash flow projection with key assumptions including budgeted revenue, gross margins, growth rates, discount rate and the impact on cash flow as results of the legal proceedings. The fair value less costs to sell is determined based on the quoted market price of the shares of GDC as the management considers that the costs of disposal are insignificant. As disclosed in Notes 4 and 18 to the consolidated financial statements, the carrying amount of the Group's interest in GDC was approximately HK$204,325,000, net of accumulated impairment losses of HK$149,639,000, as at 31 December 2017. An impairment loss on interest in an associate amounted to approximately HK$9,626,000 has been recognised during the year ended 31 December 2017.	Our procedures in relation to the estimated impairment of interest in an associate included: • Understanding of the key control over the processes that the management performed in relation to the valuation assessment of its interest in an associate and the preparation of the cash flow projection; • Obtaining an understanding on management's procedures for determining the interest in an associate's recoverable amount, which is the higher of value in use and fair value less costs to sell; • Checking the underlying calculation methodology and assessment used by the management in both value in use and fair value less costs to sell calculations for the assessment of impairment; • Evaluating the reasonableness and appropriateness of the assumptions including budgeted revenue, gross margins, growth rates and discount rate applied in the value in use calculation against its historical performance and industry benchmark; • Inquiring the management regarding the civil judgment on the legal proceedings and evaluating the management assessment of its impact on the value in use calculation; and • Checking the quoted market price of the shares of the associate in the determination of the fair value less cost to sell.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lau Chi Kin, Kinson.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	5	**109,512**	106,578
Cost of sales		**(50,380)**	(61,130)
Gross profit		**59,132**	45,448
Other income	7	**4,400**	11,451
Distribution costs and selling expenses		**(993)**	(672)
Administrative expenses		**(40,530)**	(33,248)
Increase in fair value of investment properties		**10,781**	4,670
Changes in fair value of held-for-trading investments		**67**	806
Gain on disposal of available-for-sale investment		**274**	–
Impairment loss reversed (recognised) on finance lease receivables	19	**672**	(44,055)
Finance costs	8	**(2,445)**	(264)
Share of results of an associate		**(11,947)**	(25,349)
Impairment loss on interest in an associate	18	**(9,626)**	(43,019)
Profit (loss) before tax		**9,785**	(84,232)
Income tax (expense) credit	9	**(12,206)**	2,564
Loss for the year from continuing operations	10	**(2,421)**	(81,668)
Discontinued operation			
Loss for the year from discontinued operation	33	**–**	(304)
Loss for the year		**(2,421)**	(81,972)
Other comprehensive income (expenses):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**96,973**	(68,269)
Share of translation difference of an associate		**23,228**	(21,657)
		120,201	(89,926)
Item that may be reclassified subsequently to profit or loss:			
Share of investment revaluation reserve movements of an associate		**(1,655)**	(614)
Other comprehensive income (expenses) for the year		**118,546**	(90,540)
Total comprehensive income (expenses) for the year		**116,125**	(172,512)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
Loss for the year attributable to owners of the Company:			
– from continuing operations		**(11,332)**	(82,101)
– from discontinued operation		**–**	(274)
		(11,332)	(82,375)
Profit (loss) for the year attributable to non-controlling interests:			
– from continuing operations		**8,911**	433
– from discontinued operation		**–**	(30)
		8,911	403
		(2,421)	(81,972)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**83,646**	(156,309)
Non-controlling interests		**32,479**	(16,203)
		116,125	(172,512)
Loss per share	13		
From continuing and discontinued operations			
Basic and diluted		**HK(0.42) cents**	HK(3.08) cents
From continuing operations			
Basic and diluted		**HK(0.42) cents**	HK(3.07) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	14	**17,134**	15,977
Investment properties	15	**117,663**	123,038
Goodwill	16	**52,935**	52,935
Interests in associates	18	**204,325**	204,325
Finance lease receivables	19	**1,027,923**	1,118,560
Available-for-sale investment	20	**–**	4,667
Restricted bank deposits	26	**–**	15,191
Deferred tax assets	30	**22,069**	20,222
		1,442,049	1,554,915
Current assets			
Finance lease receivables	19	**858,906**	734,960
Trade receivables	21	**–**	1
Prepayments, deposits and other receivables	22	**5,997**	4,241
Held-for-trading investments	23	**3,923**	4,844
Amount due from an associate	24	**–**	388
Structured deposit	25	**12,048**	11,111
Restricted bank deposits	26	**19,811**	11,415
Bank balances and cash	26	**288,221**	202,597
		1,188,906	969,557
Current liabilities			
Other payables and accruals	27	**26,567**	30,724
Income received in advance	28	**7,589**	7,839
Rental and management fee received in advance and other deposits received		**548**	764
Tax liabilities		**23,807**	14,613
Secured bank borrowings – due within one year	29	**535,048**	463,875
Security deposits received – due within one year	19	**54,261**	12,158
		647,820	529,973
Net current assets		**541,086**	439,584
Total assets less current liabilities		**1,983,135**	1,994,499

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	31	**26,722**	26,722
Retained earnings		**524,192**	518,281
Other reserves		**731,003**	653,268
Equity attributable to owners of the Company		**1,281,917**	1,198,271
Non-controlling interests		**297,540**	265,061
Total equity		**1,579,457**	1,463,332
Non-current liabilities			
Income received in advance	28	**3,678**	6,018
Secured bank borrowings – due after one year	29	**361,446**	464,593
Security deposits received – due after one year	19	**38,554**	60,556
		403,678	531,167
Total equity and liabilities		**1,983,135**	1,994,499

The consolidated financial statements on pages 72 to 181 were approved and authorised for issue by the board of directors on 22 March 2018 and are signed on its behalf by:

Xu Liang
DIRECTOR

Liu Dongsheng
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	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 2016	26,722	604,068	7,392	2,269	115,576	(29,600)	28,081	600,072	1,354,580	281,446	1,636,026
(Loss) profit for the year	–	–	–	–	–	–	–	(82,375)	(82,375)	403	(81,972)
Exchange differences on translation to presentation currency	–	–	–	–	–	(51,663)	–	–	(51,663)	(16,606)	(68,269)
Share of translation difference of an associate	–	–	–	–	–	(21,657)	–	–	(21,657)	–	(21,657)
Share of investment revaluation reserve movements of an associate	–	–	–	(614)	–	–	–	–	(614)	–	(614)
Other comprehensive expenses for the year	–	–	–	(614)	–	(73,320)	–	–	(73,934)	(16,606)	(90,540)
Total comprehensive expenses for the year	–	–	–	(614)	–	(73,320)	–	(82,375)	(156,309)	(16,203)	(172,512)
Lapse of share options	–	–	–	–	–	–	(584)	584	–	–	–
Disposal of a subsidiary (Note 33)	–	–	–	–	–	–	–	–	–	(182)	(182)
At 31 December 2016	26,722	604,068	7,392	1,655	115,576	(102,920)	27,497	518,281	1,198,271	265,061	1,463,332
(Loss) profit for the year	–	–	–	–	–	–	–	(11,332)	(11,332)	8,911	(2,421)
Exchange differences on translation to presentation currency	–	–	–	–	–	73,405	–	–	73,405	23,568	96,973
Share of translation difference of an associate	–	–	–	–	–	23,228	–	–	23,228	–	23,228
Share of investment revaluation reserve movements of an associate	–	–	–	(1,655)	–	–	–	–	(1,655)	–	(1,655)
Other comprehensive (expenses) income for the year	–	–	–	(1,655)	–	96,633	–	–	94,978	23,568	118,546
Total comprehensive (expenses) income for the year	–	–	–	(1,655)	–	96,633	–	(11,332)	83,646	32,479	116,125
Lapse of share options	–	–	–	–	–	–	(17,243)	17,243	–	–	–
At 31 December 2017	26,722	604,068	7,392	–	115,576	(6,287)	10,254	524,192	1,281,917	297,540	1,579,457

Notes:

(a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfer and utilisation as mentioned in Note (b) below.

(b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax		
– continuing operations	**9,785**	(84,232)
– discontinued operation	**–**	(304)
Adjustments for:		
Changes in fair value of held-for-trading investments	**(67)**	(806)
Depreciation of property, plant and equipment	**620**	627
Dividend income from held-for-trading investments	**(41)**	(40)
Gain on disposal of a subsidiary	**–**	(89)
Gain on disposal of available-for-sale investment	**(274)**	–
Gain on disposal of property, plant and equipment	**(11)**	–
Impairment loss on interest in an associate	**9,626**	43,019
Impairment loss (reversed) recognised on finance lease receivables	**(672)**	44,055
Increase in fair value of investment properties	**(10,781)**	(4,670)
Interest expenses and amortisation of loan raising costs (included in cost of sales and finance costs)	**52,825**	61,394
Interest income from bank deposits	**(3,583)**	(7,739)
Loss on written off of property, plant and equipment	**–**	1
Share of results of an associate	**11,947**	25,349
Operating cash flows before movements in working capital	**69,374**	76,565
Decrease in inventories	**–**	1,696
Decrease in finance lease receivables	**25,323**	55,082
Decrease in entrusted loan payment receivable	**–**	75,477
Decrease in trade receivables	**1**	80
(Increase) decrease in prepayments, deposits and other receivables	**(1,720)**	3,338
Decrease in held-for-trading investments	**–**	781
Decrease in other payables and accruals	**(6,326)**	(21,444)
Decrease in income received in advance	**(3,733)**	(2,535)
Decrease in rental and management fee received in advance and other deposits received	**(235)**	(220)
Increase in security deposits received	**13,968**	13,411
Cash from operations	**96,652**	202,231
Interest received	**98,361**	93,248
Dividend received from held-for-trading investments	**41**	40
Interest paid	**(50,048)**	(61,974)
Income tax paid	**(4,364)**	(932)
NET CASH FROM OPERATING ACTIVITIES	**140,642**	232,613

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	NOTE	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES			
Proceeds from redemption of structured deposits		**477,955**	640,339
Proceeds on disposal of an investment property		**18,564**	6,866
Withdrawal of restricted bank deposits		**10,168**	8,772
Proceeds on disposal of available-for-sale investment		**5,335**	–
Interest received from bank deposits		**3,583**	7,739
Proceeds from disposal of held-for-trading investments		**1,120**	–
Repayment from an associate		**388**	–
Proceeds from disposal of property, plant and equipment		**11**	–
Purchase of structured deposits		**(477,807)**	(565,896)
Placement of restricted bank deposits		**(1,129)**	(2,134)
Purchase of property, plant and equipment		**(462)**	(59)
Disposal of a subsidiary	33	**–**	1,259
NET CASH FROM INVESTING ACTIVITIES		**37,726**	96,886
FINANCING ACTIVITIES			
Repayment of bank loans		**(549,401)**	(541,829)
New bank loans raised		**437,941**	–
NET CASH USED IN FINANCING ACTIVITIES		**(111,460)**	(541,829)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**66,908**	(212,330)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**202,597**	439,651
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**18,716**	(24,724)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**288,221**	202,597

1. GENERAL

Shougang Concord Grand (Group) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its Controlling Shareholder, which is defined under the Rules Governing the Listing of Securities on the Stock Exchange as a person who is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer, is 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 Group Co., Ltd. (formerly known as Shougang Corporation), a company established in the People's Republic of China (the "PRC"). The Company is controlled by Shougang Holding. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are provision of finance leasing and other financial services, property leasing and provision of building management services and assets management.

In prior years, the Company and its subsidiaries (collectively referred to as "the Group") was involved in the trading of goods operation through 深圳市悅康融滙貿易發展有限公司 ("Ecko Trading Development Company Limited"), a non-wholly-owned subsidiary of the Group. The trading of goods operation was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the results of the trading of goods operation for the year ended 31 December 2016 had been separately presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income. Details are set out in Note 33.

The functional currency of the Company is Renminbi as the primary economic environment in which the Company's subsidiaries operate is the Mainland China (for the purpose of this report, "Mainland China" refers to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the readers.

2. APPLICATION OF NEW AND REVISED 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 ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 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 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. 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 cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following 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.

A reconciliation between the opening and closing balances of these items is provided in Note 39. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 39, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

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 2021

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company (the "Directors") anticipate that the application of all other new and revised HKFRSs and Interpretations will have no material impact on consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 financial assets are measured at their fair value at 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 *Financial Instruments: Recognition and Measurement* ("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 2017, the Directors anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 *Financial Instruments* (continued)

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on finance lease receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

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.

Based on the existing business model as at 31 December 2017, the Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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* ("HKAS 17") 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 those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of 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 by the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 *Leases* (continued)

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 2017, the Group as lessee has non-cancellable operating lease commitments of approximately HK$3,105,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$1,295,000 and refundable rental deposits received of approximately HK$532,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, 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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets* ("HKAS 36").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the ordinary course of business, net of returns, discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Finance leasing and other financial services income are allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the finance lease receivables and other financial assets to that asset's net carrying amount on initial recognition.

Handling fee income from finance leasing business is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Consultancy fee income is recognised when the services are provided.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and measured using the fair value model. Gains or losses arising from changes in fair value of investment properties are included in the profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities with functional currency in Renminbi are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Loan raising costs

Loan raising costs incurred in negotiating and arranging bank borrowings are set-off against the carrying amount of the bank borrowings and recognised as an expense on an effective interest method over the loan period.

Retirement benefit costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expenses unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held-for-trading or (ii) it is designated as FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in other income line item.

Fair value is determined in the manner described in Note 38(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivables, trade receivables, other receivables, amount due from an associate, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss of financial assets below).

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment loss of financial assets (continued)

For financial assets carried at amortised cost, 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 carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and finance lease receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and finance lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables, secured bank borrowings and security deposits received) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions

Share options granted to the directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset is belonged to. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above) (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

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. 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 located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. In respect of those investment properties located in Mainland China, the Group recognised additional deferred taxes relating to Land Appreciation Tax ("LAT") and Enterprise Income Tax ("EIT") on changes in fair value of such 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

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 an independent valuer. The Group also takes into consideration the financial positions and the guarantee of the relevant customers, the expected timing, legal possession status and other uncertainties on realising the pledged assets. Where the present value of estimated future cash flows or the fair value of the pledged assets less cost to sell are less than expected, a material impairment loss may arise.

During the year ended 31 December 2017, impairment loss of approximately HK$672,000 has been reversed (2016: HK$44,055,000 has been recognised) for finance lease receivables. As at 31 December 2017, the carrying amount of finance lease receivables is approximately HK$1,886,829,000, net of accumulated impairment losses of HK$97,315,000 (2016: HK$1,853,520,000, net of accumulated impairment losses of HK$111,661,000). Details of the impairment of finance lease receivables are disclosed in Note 19.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of interest in an associate

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

During the year ended 31 December 2017, impairment loss of approximately HK$9,626,000 (2016: HK$43,019,000) has been recognised for interest in an associate. As at 31 December 2017, the carrying amount of interests in associates is approximately HK$204,325,000, net of accumulated impairment losses of HK$149,639,000 (2016: HK$204,325,000, net of accumulated impairment losses of HK$140,013,000). Details of the recoverable amount calculation are disclosed in Note 18.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results a downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is approximately HK$52,935,000, net of accumulated impairment losses of HK$201,854,000 (2016: HK$52,935,000, net of accumulated impairment losses of HK$201,854,000). Details of the recoverable amount calculation are disclosed in Note 17.

5. REVENUE

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

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

6. SEGMENT INFORMATION

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

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

The trading of goods operation previously under assets management segment was discontinued with effect from 14 September 2016 as a result of the disposal to an independent third party. Accordingly, the results of the trading of goods operation for the year ended 31 December 2016 had been excluded in the segment information and presented as discontinued operation. Details of the discontinued operation is set out in Note 33.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2017

Continuing operations

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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 results	(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)

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 described in Note 3. 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.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2017 HK$'000	2016 HK$'000
Segment assets		
Finance leasing and other financial services	**2,259,787**	2,152,777
Property leasing and building management services	**118,000**	123,329
Assets management	**25,649**	22,768
Total segment assets	**2,403,436**	2,298,874
Interests in associates	**204,325**	204,325
Held-for-trading investments	**3,923**	4,844
Structured deposit	**12,048**	11,111
Other unallocated corporate assets	**7,223**	5,318
Consolidated assets	**2,630,955**	2,524,472

	2017 HK$'000	2016 HK$'000
Segment liabilities		
Finance leasing and other financial services	**1,014,457**	1,035,927
Property leasing and building management services	**593**	886
Assets management	**586**	545
Total segment liabilities	**1,015,636**	1,037,358
Unallocated secured bank borrowings	**31,273**	18,917
Other unallocated corporate liabilities	**4,589**	4,865
Consolidated liabilities	**1,051,498**	1,061,140

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

– all assets are allocated to reportable segments other than interests in associates, held-for-trading investments, structured deposit and other unallocated corporate assets (including primarily unallocated property, plant and equipment, bank balances and cash and prepayments).

– all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for finance leasing and other financial services and other unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2017

	Finance leasing and other financial services HK$'000	Property leasing and building management services HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets (Note)	426	–	–	36	462
Depreciation of property, plant and equipment	579	20	–	21	620
Increase in fair value of investment properties	–	10,781	–	–	10,781
Interest income from bank deposits	2,301	–	921	361	3,583
Impairment loss reversed on finance lease receivables	672	–	–	–	672

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2016

	Finance leasing and other financial services HK$'000	Property leasing and building management services HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Additions to non-current assets (Note)	7	40	–	12	59
Depreciation of property, plant and equipment	486	36	–	26	548
Impairment loss on finance lease receivables	44,055	–	–	–	44,055
Increase in fair value of investment properties	–	4,670	–	–	4,670
Interest income from bank deposits	7,027	–	678	26	7,731

Note: Non-current assets exclude goodwill, interests in associates, finance lease receivables, available-for-sale investment, restricted bank deposits and deferred tax assets.

6. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas – Mainland China and Hong Kong.

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

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

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

Information about major customers

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

	2017	2016
	HK$'000	HK$'000
Customer A	**29,628**	27,351
Customer B	**28,438**	27,007
Customer C	**28,435**	29,350

7. OTHER INCOME

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

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on bank borrowings	**52,825**	61,394
Less: amount included in cost of sales	**(50,380)**	(61,130)
	2,445	264

9. INCOME TAX EXPENSE (CREDIT)

	2017	2016
	HK$'000	HK$'000
Current tax:		
Hong Kong	**42**	124
PRC EIT	**12,302**	10,647
	12,344	10,771
Overprovision in prior years:		
PRC EIT	**–**	(3,013)
Deferred taxation (Note 30)	**(138)**	(10,322)
	12,206	(2,564)

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 is 25% (2016: 25%).

9. INCOME TAX EXPENSE (CREDIT) (continued)

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

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

10. LOSS FOR THE YEAR

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

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, are as follows:

For the year ended 31 December 2017

	Li Shaofeng[(1)] HK$'000	Xu Liang[(2)] HK$'000	Luo Zhenyu[(3)] HK$'000	Wang Tian[(1)] HK$'000	Wang Qinghua[(3)] HK$'000	Yang Junlin[(4)] HK$'000	Yuan Wenxin[(5)] HK$'000	Total HK$'000
EXECUTIVE DIRECTORS								
Fees	–	–	–	–	–	–	–	–
Other emoluments								
Salaries, allowances and benefits in kind	–	2,400	–	652	–	1,800	1,440	6,292
Retirement benefit scheme contributions	–	18	–	33	–	18	72	141
Total emoluments	–	2,418	–	685	–	1,818	1,512	6,433

Notes:

(1) Resigned on 14 June 2017

(2) Appointed on 1 January 2017

(3) Resigned on 1 January 2017

(4) Appointed on 1 January 2017 and resigned on 6 January 2018

(5) Resigned on 6 January 2018

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

***For the year ended 31 December 2017** (continued)*

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

	Leung Shun Sang, Tony HK$'000
NON-EXECUTIVE DIRECTOR	
Fee	**190**

The non-executive director's emolument shown above was paid for his services as director of the Company.

	Tam King Ching, Kenny HK$'000	**Zhou Jianhong HK$'000**	**Yip Kin Man, Raymond HK$'000**	**Total HK$'000**
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	**240**	**240**	**240**	**720**

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2016

	Li Shaofeng[1] HK$'000	Luo Zhenyu[2] HK$'000	Wang Tian[1] HK$'000	Wang Qinghua[2] HK$'000	Yuan Wenxin[3] HK$'000	Total HK$'000
EXECUTIVE DIRECTORS						
Fees	–	–	–	–	–	–
Other emoluments						
Salaries, allowances and benefits in kind	–	2,160	1,440	1,440	1,440	6,480
Retirement benefit scheme contributions	–	18	72	18	72	180
Total emoluments	–	2,178	1,512	1,458	1,512	6,660

Notes:

(1) Resigned on 14 June 2017

(2) Resigned on 1 January 2017

(3) Resigned on 6 January 2018

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

	Leung Shun Sang, Tony HK$'000
NON-EXECUTIVE DIRECTOR	
Fee	190

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2016 (continued)

The non-executive director's emolument shown above was paid for his services as director of the Company.

	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Fees	240	240	240	720

The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

Mr. Xu Liang is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the year ended 31 December 2017, Mr. Li Shaofeng, the former Chairman of the Company, waived his emoluments as Chief Executive of the Company of HK$815,000 (2016: HK$1,800,000).

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2016: four directors), details of whose remuneration are set out in the disclosures above. Details of the remuneration for the year of the remaining two (2016: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and other benefits	**2,183**	1,235
Retirement benefit schemes contributions	**36**	18
	2,219	1,253

The number of the highest paid employees who are not the Directors and whose remuneration fell within the following bands is as follows:

	2017 **No. of employees**	2016 No. of employees
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1

During the year, no remuneration was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

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

13. LOSS PER SHARE

From continuing operations

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

	2017	2016
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(11,332)**	(82,375)
Less:		
Loss for the year from discontinued operation	**–**	(274)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(11,332)**	(82,101)

	2017	2016
	'000	'000
Number of ordinary shares for the purposes of basic and diluted loss per share	**2,672,192**	2,672,192

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

13. LOSS PER SHARE (continued)

From continuing and discontinued operations

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

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

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

From discontinued operation

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

14. 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 2016	21,299	2,023	6,471	29,793
Exchange realignment	(1,091)	(3)	(79)	(1,173)
Additions	–	–	59	59
Disposals	–	(59)	(199)	(258)
Disposal of a subsidiary (Note 33)	–	–	(486)	(486)
Written off	–	–	(77)	(77)
At 31 December 2016	20,208	1,961	5,689	27,858
Exchange realignment	1,565	4	99	1,668
Additions	–	–	462	462
Disposals	–	–	(332)	(332)
Written off	–	–	(227)	(227)
At 31 December 2017	21,773	1,965	5,691	29,429
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2016	4,057	2,009	6,212	12,278
Exchange realignment	(154)	(3)	(73)	(230)
Provided for the year	457	12	158	627
Eliminated on disposals	–	(59)	(199)	(258)
Eliminated on disposal of a subsidiary (Note 33)	–	–	(460)	(460)
Eliminated on written off	–	–	(76)	(76)
At 31 December 2016	4,360	1,959	5,562	11,881
Exchange realignment	248	4	101	353
Provided for the year	480	2	138	620
Eliminated on disposals	–	–	(332)	(332)
Eliminated on written off	–	–	(227)	(227)
At 31 December 2017	5,088	1,965	5,242	12,295
CARRYING VALUES				
At 31 December 2017	16,685	–	449	17,134
At 31 December 2016	15,848	2	127	15,977

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.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

15. INVESTMENT PROPERTIES

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

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

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

15. INVESTMENT PROPERTIES (continued)

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

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

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

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

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

15. INVESTMENT PROPERTIES (continued)

During the year ended 31 December 2017, industrial property unit were disposed of at a consideration of HK$18,564,000.

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

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

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

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

All of the Group's investment properties located in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (Note 32).

16. GOODWILL

	HK$'000
COST	
At 1 January 2016, 31 December 2016 and 2017	254,789
IMPAIRMENT	
At 1 January 2016, 31 December 2016 and 2017	(201,854)
CARRYING VALUE	
At 31 December 2016 and 2017	52,935

Particulars regarding impairment testing on goodwill are disclosed in Note 17.

17. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 16 has been allocated to the CGU represented by finance leasing and other financial services division.

The recoverable amount of the CGU arising from finance leasing and other financial services division has been determined on the basis of value in use calculations. For the purpose of impairment testing, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a pre-tax discount rate of 6.5% (2016: 6.5%) for finance leasing and other financial services division. Cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations 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. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

18. INTERESTS IN ASSOCIATES

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

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

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

Name of entity	Form of business structure	Place of incorporation and operation	Proportion of nominal value of issued share capital held by the Group 2017	Proportion of nominal value of issued share capital held by the Group 2016	Proportion of voting power held 2017	Proportion of voting power held 2016	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

18. INTERESTS IN ASSOCIATES (continued)

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

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

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

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

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

18. INTERESTS IN ASSOCIATES (continued)

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

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

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

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

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

18. INTERESTS IN ASSOCIATES (continued)

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

Summarised financial information of material associate

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

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

GDC

	2017 **HK$'000**	2016 HK$'000
Current assets	**339,575**	365,802
Non-current assets	**691,313**	630,983
Current liabilities	**(111,129)**	(113,052)
Non-current liabilities	**(44,004)**	(38,507)

18. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associate (continued)

GDC (continued)

	2017 HK$'000	2016 HK$'000
Revenue	**133,915**	146,759
Loss for the year	**(24,015)**	(95,294)
Other comprehensive income (expenses) for the year	**54,544**	(56,725)
Total comprehensive income (expenses) for the year	**30,529**	(152,019)

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

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

19. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Note)	(Note)		
Finance lease receivables comprise:				
Within one year	**929,514**	802,926	**846,814**	723,557
In more than one year but not more than two years	**506,307**	835,674	**452,106**	781,674
In more than two years but not more than three years	**417,628**	348,280	**394,366**	333,632
In more than three years but not more than four years	**101,848**	2,728	**91,090**	2,582
In more than four years but not more than five years	**95,688**	683	**90,361**	672
	2,050,985	1,990,291	**1,874,737**	1,842,117
Overdue finance lease receivables	**12,092**	11,403	**12,092**	11,403
Less: Unearned finance lease income	**(176,248)**	(148,174)	**N/A**	N/A
Present value of minimum lease receipts	**1,886,829**	1,853,520	**1,886,829**	1,853,520
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**858,906**	734,960
Non-current finance lease receivables (receivable after 12 months)			**1,027,923**	1,118,560
			1,886,829	1,853,520

19. FINANCE LEASE RECEIVABLES (continued)

	2017	2016
	HK$'000	HK$'000
Fixed-rate finance lease receivables	**810,200**	928,069
Variable-rate finance lease receivables	**1,076,629**	925,451
	1,886,829	1,853,520

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

Effective interest rates per annum of the above finance lease receivables for the year are as follows:

	2017	2016
Effective interest rates		
Fixed-rate finance lease receivables	**5.0% to 12.0%**	3.0% to 15.0%
Variable-rate finance lease receivables	**5.0% to 6.7%**	6.2% to 6.5%

Interest rate of variable-rate finance lease receivables is reset when there is a change of the prevailing PBC rate or CNH HIBOR.

As at 31 December 2017, carrying value of the finance lease receivables of approximately HK$878,751,000 (2016: HK$913,354,000) have been pledged against specific bank borrowings granted to the Group (Note 32). The pledges will be released upon the settlement of bank borrowings.

19. FINANCE LEASE RECEIVABLES (continued)

Movement in provision for finance lease receivables

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

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

Included in the Group's finance lease receivables are seven (2016: eight) lessees with a total carrying amount of HK$12,092,000 (2016: HK$11,403,000) which are past due as at the end of the reporting period but not impaired as they are fully secured by the security deposits received by the Group in accordance with the finance lease agreements. The receivables amounting to nil were settled up to March 2018 (2016: HK$222,000 were settled up to March 2017).

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

	2017 HK$'000	2016 HK$'000
Within three months	**–**	684
From three to six months	**–**	1,389
Over six months	**12,092**	9,330
	12,092	11,403

19. FINANCE LEASE RECEIVABLES (continued)

Movement in provision for finance lease receivables (continued)

Except the above mentioned lessees, finance lease receivables are neither past due nor impaired, and the Directors assessed that the balances are with good credit quality according to their past repayment history.

Security deposits of HK$92,815,000 (2016: HK$72,714,000) have been received by the Group to secure the finance lease receivables and classified into current liabilities and non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements.

	2017	2016
	HK$'000	HK$'000
Analysed as:		
Security deposits received – due within one year	**54,261**	12,158
Security deposits received – due after one year	**38,554**	60,556
	92,815	72,714

In addition, the finance lease receivables are secured over the leased assets mainly aeroplane engines, machineries and build and transfer project of a scenic belt as at 31 December 2017 and 2016.

The Group is not permitted to sell or repledge the collateral of the finance lease receivables in the absence of default by the lessee. Estimates of fair value of collateral are made during the credit approval process, determined using valuation techniques commonly used for the corresponding assets. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by 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.

All the Group's finance lease receivables are denominated in Renminbi, the functional currency of the relevant group entity.

20. AVAILABLE-FOR-SALE INVESTMENT

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

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

21. TRADE RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Rental receivables	**–**	1

No credit period is granted to its trade customers.

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

	2017	2016
	HK$'000	HK$'000
0 – 90 days	**–**	1

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Other receivables	2,567	1,794
Prepayments	1,495	836
Deposits	1,935	1,611
	5,997	4,241

23. HELD-FOR-TRADING INVESTMENTS

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

	2017 HK$'000	2016 HK$'000
Listed equity securities:		
– in Hong Kong	3,095	3,275
– in Mainland China	828	1,569
	3,923	4,844

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

24. AMOUNT DUE FROM AN ASSOCIATE

The amount was unsecured, non-interest bearing and repayable on demand. The amount was settled in April 2017.

25. STRUCTURED DEPOSIT

The structured deposit as at 31 December 2017 consisted of principal-protected deposit of HK$12,048,000 (2016: HK$11,111,000) denominated in Renminbi and issued by bank in Mainland China. The structured deposit carries interest at expected interest rate of 3.5% (2016: 3.5%) per annum, depending on the market prices of the underlying money market instruments and debt instruments invested by the bank, payable on maturity of 91 days (2016: 30 days) from the date of purchase. The structured deposit is designated at FVTPL on initial recognition as it contains non-closely related embedded derivative. The Directors consider the fair value of the structured deposit, which is measured by reference to the discounted cash flow approach as disclosed in Note 38(c), approximates to its carrying value.

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

The change in fair value for the deposit that has been matured is recognised for the year ended 31 December 2017 and 2016 as the effect is not significant.

26. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

The amounts as at 31 December 2017 and 2016 represented Renminbi denominated bank deposits which will be released upon the full settlement of the relevant bank borrowings. The deposits carried interest at average interest rate of 0.38% (2016: 0.38%) per annum.

	2017 **HK$'000**	2016 HK$'000
Analysed of reporting purposes:		
Due within one year	**19,811**	11,415
Due after one year	**–**	15,191
	19,811	26,606

26. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

Bank balances and cash

The Group's deposits carry interest rate at prevailing bank saving deposits rate ranging from 0.01% to 0.2% (2016: 0.01% to 0.67%) per annum.

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes:		
HK$ denominated bank balances and cash	**3,109**	1,313
Renminbi denominated bank balances and cash	**285,112**	201,284
	288,221	202,597

27. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Accrued salaries and bonuses	**4,799**	3,562
Accrued legal and professional fees	**1,301**	1,646
Other tax payables	**16,341**	20,233
Interest payable	**3,018**	4,386
Others	**1,108**	897
	26,567	30,724

28. INCOME RECEIVED IN ADVANCE

As at 31 December 2017 and 2016, the income received in advance includes handling fee income received from finance lease borrowers for administrative services provided over the relevant lease term.

	2017	2016
	HK$'000	HK$'000
Analysed for reporting purposes:		
Current	**7,589**	7,839
Non-current	**3,678**	6,018
	11,267	13,857

Non-current portion of income received in advance represents handling fee income to be realised after twelve months.

29. SECURED BANK BORROWINGS

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

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

29. SECURED BANK BORROWINGS (continued)

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

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

	2017	2016
Effective interest rate:		
Fixed-rate secured bank borrowings	**4.8%**	4.8%
Variable-rate secured bank borrowings	**2.19% to 5.7%**	1.8% 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:

	2017	2016
	HK$'000	HK$'000
Denominated in HK$	**31,273**	18,917

29. SECURED BANK BORROWINGS (continued)

The interest rates for the Group's bank borrowings vary from different subsidiaries. The interest rates vary from Hong Kong banks' prime rate minus 2.75%, Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2%, CNH HIBOR plus 1.1% and variable PBC rate plus a percentage spread of 20% (2016: Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1%, CNH HIBOR plus 1.1% and variable PBC rate plus a percentage spread of 20%). Secured bank borrowings of HK$31,273,000 (2016: HK$18,917,000) are exposed to the fluctuations of HIBOR and Hong Kong banks' prime rate while the remaining HK$841,165,000 (2016: HK$798,921,000) are exposed to the fluctuation of PBC rate. The interest is repricing every month for secured bank borrowings of approximately HK$31,273,000 (2016: HK$18,917,000), repricing every quarter for secured bank borrowings of approximately HK$841,165,000 (2016: HK$798,921,000). The proceeds were used as funding for finance leasing and other financial services business and general working capital for the Group for the years ended 31 December 2017 and 2016.

30. DEFERRED TAXATION

The following are the major deferred (assets) liabilities recognised and movements thereon during the current and prior years:

	Provision for finance lease receivables HK$'000	**Revaluation of property and fair value change of investment properties** HK$'000	**Total** HK$'000
At 1 January 2016	(20,431)	9,983	(10,448)
(Credit) charge to profit or loss	(11,033)	711	(10,322)
Exchange realignment	1,154	(606)	548
At 31 December 2016	(30,310)	10,088	(20,222)
Charge (credit) to profit or loss	168	(306)	(138)
Exchange realignment	(2,548)	839	(1,709)
At 31 December 2017	(32,690)	10,621	(22,069)

30. DEFERRED TAXATION (continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
	HK$'000	HK$'000
Deferred tax assets	**(22,069)**	(20,222)

At the end of the reporting period, the Group has unused tax losses of approximately HK$368,232,000 (2016: HK$340,276,000) available for offset against future profits subject to approval from the relevant tax authority. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries in Mainland China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiaries in Mainland China amounting to HK$16.8 million as at 31 December 2017 (2016: HK$4.4 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004.

31. SHARE CAPITAL

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

32. CHARGE ON ASSETS

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

(i) The Group's investment properties with an aggregate carrying value of approximately HK$86,940,000 (2016: HK$94,260,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$31,273,000 (2016: HK$18,917,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$878,751,000 (2016: HK$913,354,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$865,221,000 (2016: HK$909,551,000).

(iii) There were bank deposits of approximately HK$19,811,000 (2016: HK$26,606,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK$24,056,000 (2016: HK$136,032,000).

33. DISCONTINUED OPERATION

On 12 September 2016, the Group entered into a sale agreement to dispose of a non-wholly owned subsidiary, 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.

33. DISCONTINUED OPERATION (continued)

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

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

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

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

33. DISCONTINUED OPERATION (continued)

Cash flows attributable to the Group for the year:

	2016 HK$'000
Net cash inflow from operating activities	2,639
Net cash inflow from investing activities	8
Net cash outflow from financing activities	(3,035)
Net cash outflow	(388)

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

	2016 HK$'000
Net assets disposed of	
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 or loss	89
Cash consideration	1,724

33. DISCONTINUED OPERATION (continued)

	2016
	HK$'000
Net cash inflow arising on disposal	
Cash consideration	1,724
Less: bank balances and cash disposed of	(465)
	1,259

34. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$3,616,000 (2016: HK$4,611,000). The investment properties are expected to generate rental yield of 2.9% (2016: 3.2%) on an ongoing basis. Almost all of the properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017	2016
	HK$'000	HK$'000
Within one year	**2,018**	1,613
In the second to fifth years inclusive	**16**	180
	2,034	1,793

34. OPERATING LEASES (continued)

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year were approximately HK$3,388,000 (2016: HK$3,388,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	2016
	HK$'000	HK$'000
Within one year	**3,105**	3,388
In the second to fifth years inclusive	**–**	3,105
	3,105	6,493

Leases for properties are negotiated for a term ranging from one to two years (2016: one to two years) with fixed rentals.

35. SHARE OPTIONS SCHEMES

The Company operates share option schemes for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or its associated companies.

The Company adopted a share option scheme (the "2002 Scheme") on 7 June 2002.

Eligible participants of the 2002 Scheme included Directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates.

35. SHARE OPTIONS SCHEMES (continued)

Share options granted to a director, executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue on the date of grant and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised is determined by the Directors at their absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the 2002 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option is determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

The share option scheme which has been adopted on 25 May 2012 (the "2012 Scheme") continues to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012 and ending on 25 May 2022 (both dates inclusive).

35. SHARE OPTIONS SCHEMES (continued)

Under the 2012 Scheme, the Board of Directors may, at its discretion, offer full-time or part-time employees, executives, officers or Directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board of Directors, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 115,219,246, representing 4.31% of the issued share capital of the Company at the commencement date of the 2012 Scheme. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5 million (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

35. SHARE OPTIONS SCHEMES (continued)

The period during which a share option may be exercised will be determined by the Board of Directors at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board of Directors at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme.

35. SHARE OPTIONS SCHEMES (continued)

The following table discloses the details of the share options and movements in the share options under the 2002 Scheme during the years ended 31 December 2017 and 2016:

For the year ended 31 December 2017

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options: At 1.1.2017	Lapsed during the year	At 31.12.2017
Directors of the Company	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	**28,964,000**	**(28,964,000)(1)**	**–**
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	**23,450,000**	**(6,000,000)(2)**	**17,450,000**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	**20,000,000**	**(20,000,000)(3)**	**–**
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	**1,900,000**	**(1,900,000)(1)**	**–**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	**4,220,000**	**–**	**4,220,000**
Other participants	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	**34,104,000**	**(34,104,000)(1)**	**–**
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	**18,500,000**	**–**	**18,500,000**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	**600,000**	**–**	**600,000**
Total				**131,738,000**	**(90,968,000)**	**40,770,000**
Exercisable at year end						**40,770,000**
Weighted average exercise price				**0.53**	**0.46**	**0.70**

For the year ended 31 December 2016

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options: At 1.1.2016	Lapsed during the year	At 31.12.2016
Directors of the Company	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	28,964,000	–	28,964,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	23,450,000	–	23,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	20,000,000	–	20,000,000
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	1,900,000	–	1,900,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	7,220,000	(3,000,000)(4)	4,220,000
Other participants	19.1.2007	19.1.2007 – 18.1.2017	HK$0.410	34,104,000	–	34,104,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	18,500,000	–	18,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540	600,000	–	600,000
Total				134,738,000	(3,000,000)	131,738,000
Exercisable at year end						131,738,000
Weighted average exercise price				0.53	0.54	0.53

35. SHARE OPTIONS SCHEMES (continued)

Note:

(1) The share options were held by grantees with exercise period from 19 January 2007 to 18 January 2017. Such share options lapsed on 19 January 2017 according to the terms of the 2002 Scheme.

(2) The share options were held by a grantee who resigned as a director of the Company on 14 June 2017 and lapsed on 14 July 2017 according to the terms of the 2002 Scheme.

(3) The share options were held by grantees who resigned as directors of the Company on 1 January 2017 and 14 June 2017, respectively, and lapsed on 1 February 2017 and 14 July 2017, respectively, according to the terms of the 2002 Scheme.

(4) The share options were held by a grantee who ceased to be an employee of the Group on 1 May 2016. Such share options lapsed on 1 June 2016 according to the terms of the 2002 Scheme.

No share options were granted and exercised during both years.

36. RETIREMENT BENEFIT SCHEMES

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong and Mainland China (collectively the "Retirement Schemes"). There was no contributions payable to the Retirement Schemes at 31 December 2017 and 2016 and no forfeited contribution throughout both years.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth, and to strengthen the Group's financial management capability. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes secured bank borrowings disclosed in Note 29, net of restricted bank deposits, structured deposit, bank balances and cash, and total equity.

37. CAPITAL RISK MANAGEMENT (continued)

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using net debt to total equity ratio and current ratio. These ratios as at 31 December 2017 and 2016 were as follows:

	2017	2016
	HK$'000	HK$'000
Net debt[1]	**576,414**	688,154
Total equity[2]	**1,579,457**	1,463,332
Net debt to total equity ratio (%)	**36**	47
Current assets	**1,188,906**	969,557
Current liabilities	**647,820**	529,973
Current ratio (%)	**184**	183

The Directors considered that the Group maintained healthy capital as at 31 December 2017 as the Group has excess of current assets over current liabilities.

Notes:

(1) Net debt equals secured bank borrowings less restricted bank deposits, structured deposit and bank balances and cash.

(2) Total equity equals to all capital and reserves of the Group including non-controlling interests.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Financial assets at FVTPL		
Held-for-trading investments	**3,923**	4,844
Structured deposit designated as at FVTPL	**12,048**	11,111
	15,971	15,955
Loan and receivables (including cash and cash equivalents)	**310,599**	231,386
Available-for-sale investment	**–**	4,667
Finance lease receivables	**1,886,829**	1,853,520
Financial liabilities		
Amortised cost	**997,300**	1,009,377

(b) Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investment, finance lease receivables, trade receivables, other receivables, held-for-trading investments, structured deposit, restricted bank deposits, bank balances and cash, amount due from an associate, secured bank borrowings, other payables, security deposits received and other deposits received. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in HK$ and Renminbi which are primarily transacted using functional currencies of the respective group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$ denominated secured bank borrowings	**31,273**	18,917	**–**	–
HK$ denominated bank balances and cash	**–**	–	**3,109**	1,313

The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

Sensitivity analysis

The Group is mainly exposed to the HK$ denominated secured bank borrowings and HK$ denominated bank balances and cash.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(i) Currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in HK$ against Renminbi. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates. The sensitivity analysis includes secured bank borrowings and bank balances and cash, denominated in a currency other than the functional currency of the respective group entity. A positive number below indicates an increase in pre-tax profit and other equity where Renminbi strengthen 5% (2016: 5%) against HK$. For a 5% (2016: 5%) weakening of Renminbi against HK$, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	HK$ Impact	
	2017	2016
	HK$'000	HK$'000
Profit or loss	**1,408**	880

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate finance lease receivables as disclosed in Note 19, bank balances and restricted bank deposits as disclosed in Note 26 and secured variable-rate bank borrowings as disclosed in Note 29. It is the Group's policy to keep majority of its finance lease receivables and bank borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables and bank borrowings.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(ii) Interest rate risk (continued)

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong banks' prime rate, PBC rate, HIBOR and CNH HIBOR arising from secured bank borrowings and the fluctuations of PBC rate and CNH HIBOR arising from variable-rate finance lease receivables. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate finance lease receivables and secured bank borrowings at the end of reporting period. The analysis is prepared assuming these outstanding balances at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's pre-tax profit for the year ended 31 December 2017 would increase/decrease by approximately HK$1,021,000 (2016: pre-tax loss would decrease/increase by approximately HK$538,000).

The Group's exposure to interest rate risk for bank balances and restricted bank deposits is not included in the above analysis as the management considers that such exposure is insignificant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments of entities operating in Mainland China which are quoted in stock exchanges in Mainland China and Hong Kong. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(iii) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower, pre-tax profit for the year ended 31 December 2017 would increase/decrease by approximately HK$392,000 (2016: pre-tax loss would decrease/increase by approximately HK$484,000) as a result of the changes in fair value of held-for-trading investments.

The Group's exposure to other price risk for structured deposit is not included in the above analysis as the management considers that such exposure is insignificant.

Credit risk

As at 31 December 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Before accepting any new finance lease borrowers, the Group would assess the credit quality of each potential finance lease borrower and define limits for each finance lease borrower. The Group also demands certain finance lease borrowers to place security deposits and/or pledge assets with the Group at the time the finance lease arrangement is entered into. In addition, the Group would also review the repayment history of finance lease payments from each finance lease borrower with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Credit risk** (continued)*

The credit risk on restricted bank deposits, structured deposit and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, which accounted for 100% (2016: 99%) of the finance lease receivables as at 31 December 2017 and 2016.

The Group also has concentration of credit risk from finance leasing and other financial services business as 26% (2016: 31%) and 95% (2016: 95%) of the total finance lease receivables was due from the Group's largest finance lease borrower and the five largest finance lease borrowers. The Group's five largest finance lease borrowers are spread across diverse industries such as airline and manufacturing industries. Of the five largest finance leases, one (2016: one) of them is listed company in Mainland China or group companies of listed companies in Mainland China. Over 99% (2016: 99%) of balance of the finance lease customers have good repayment history with no record of late payment. For those finance lease customers with late payment, the management of the Group has delegated a team to monitor the level of exposure to ensure that follow up actions and/or corrective actions and/or legal actions are taken promptly to lower the risk exposure or to recover the overdue balances. Furthermore, the Group would negotiate with certain finance lease borrowers with late payment by means of debt restructuring, to recover the overdue debts by instalments.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings from time to time.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rates, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows as at 2017 HK$'000	Carrying amount at 2017 HK$'000
Non-derivative financial liabilities							
Other payables	–	7,817	–	174	–	7,991	7,991
Security deposits received	–	12,093	12,048	30,120	38,554	92,815	92,815
Secured bank borrowings	4.07	34,336	30,009	504,103	398,404	966,852	896,494
		54,246	42,057	534,397	436,958	1,067,658	997,300

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Liquidity risk** (continued)*

Liquidity table (continued)

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows as at 2016 HK$'000	Carrying amount at 2016 HK$'000
Non-derivative financial liabilities							
Other payables	–	7,957	–	238	–	8,195	8,195
Security deposits received	–	2,292	77	9,789	60,556	72,714	72,714
Secured bank borrowings	4.27	22,238	38,602	439,347	486,593	986,780	928,468
		32,487	38,679	449,374	547,149	1,067,689	1,009,377

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2017 and 31 December 2016, the aggregate principal amounts of these bank borrowings amounted to HK$31,273,000 and HK$18,917,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Liquidity risk** (continued)*

Liquidity table (continued)

The following table details the Group's aggregate principal and interest cash outflows for bank borrowings (with a repayment on demand clause) based on scheduled repayments. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average interest rate	On demand or less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Secured bank borrowings with repayment on demand clause								
As at 31.12.2017	2.35	384	778	3,482	18,787	10,777	34,208	31,273
As at 31.12.2016	1.75	245	490	2,204	11,757	5,388	20,084	18,917

The amounts scheduled above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's assets 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.

38. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK$3,095,000 – in Mainland China: HK$828,000	Listed equity securities: – in Hong Kong: HK$3,275,000 – in Mainland China: HK$1,569,000	Level 1	Quoted bid prices in an active market	N/A
Structured deposit	Bank deposit in Mainland China with non-closely related embedded derivatives: HK$12,048,000	Bank deposit in Mainland China with non-closely related embedded derivatives: HK$11,111,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of 3.5% (2016: 3.5%) and market price of the underlying money market instruments and debt instruments invested by bank and a discount rate that reflects the credit risk of the bank (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

38. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

***Fair value of the Group's financial assets that are measured at fair value on a recurring basis** (continued)*

Note: The Directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposit is insignificant as the structured deposit has short maturities, and therefore no sensitivity analysis is presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of structured deposit classified as Level 3 in the current year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings
	HK$'000
At 1 January 2017	928,468
Financing cash flows	(111,460)
Amortisation of loan raising costs	2,777
Foreign exchange translation	76,709
At 31 December 2017	896,494

40. RELATED PARTY DISCLOSURES

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding which is a wholly-owned subsidiary of Shougang Group Co., Ltd., a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are controlled by Shougang Group Co., Ltd. and its subsidiaries (collectively referred as "Shougang Group"). The transactions and those balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

(a) Transactions and balances with Shougang Group and related parties

	Rental income (Note i)		Finance income and other financial services income (Note ii)		Consultancy fee expense (Note i)		Management fee expense (Note i)	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Shougang Holding	**–**	–	**–**	–	**960**	960	**–**	–
Subsidiaries of Shougang Group Co., Ltd.	**–**	–	**91,087**	93,899	**–**	–	**–**	–
Associates of Shougang Holding	**–**	–	**3,800**	1,785	**–**	–	**840**	840
Mr. Li Shaofeng, the former Chairman of the Company (Note)	**64**	142	**–**	–	**–**	–	**–**	–

Note:

Mr. Li Shaofeng has resigned as an Executive Director of the Company and the Chairman of the Board with effect from 14 June 2017 and the amount presented was for the period up to this date.

40. RELATED PARTY DISCLOSURES (continued)

(a) Transactions and balances with Shougang Group and related parties (continued)

Notes:

(i) The transactions were carried out in accordance with the relevant lease and other agreements.

(ii) The transactions were carried out in accordance with relevant finance lease and loan agreements summarised as below:

(1) The Company entered into the master loan facility agreement with Shougang Shuicheng Gangtie (Group) Co., Ltd ("Shougang Shuigang"), a subsidiary of Shougang Group Co., Ltd., pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, the loan facilities to Shougang Shuigang and/or its subsidiaries in an aggregate principal amount of up to HK$250,000,000 for a term of 3 years commenced from October 2014. The master loan facility agreement with Shougang Shuigang was terminated in June 2017.

(2) Pursuant to the finance lease agreement, South China International Leasing Co., Ltd. ("South China Leasing"), an indirect non-wholly-owned subsidiary of the Company, will provide finance lease amounting RMB200,000,000 to Shougang Guiyang Special Steel Co., Ltd, a subsidiary of Shougang Group Co., Ltd., for a term of 3 years commenced from February 2015.

(3) The Company entered into the master facilities agreement with Shougang Group Co., Ltd., pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the facilities to Shougang Group Co., Ltd. and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years commenced from June 2015.

(4) Pursuant to the finance lease agreement, South China Leasing will provide finance lease amounting RMB70,000,000 to Tengzhou Eastern Steel Cord Co. Ltd, an associate of Shougang Holding, for a term of 3 years commenced from August 2016.

Included in the finance lease receivables of the Group as disclosed in Note 19 are finance lease receivables from subsidiaries of Shougang Group Co., Ltd. and an associate of Shougang Holding with total carrying amount of HK$1,366,725,000 (2016: HK$1,639,050,000) and HK$51,242,000 (2016: HK$72,512,000), respectively, which utilised the above facilities.

40. RELATED PARTY DISCLOSURES (continued)

(b) Investments in related companies

At 31 December 2017, the Group's held-for-trading investments included listed securities of 12,370,000 shares (2016: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK$3,043,000 (2016: HK$3,216,000), and 230,000 shares (2016: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International") with carrying amount of HK$52,000 (2016: HK$59,000). Shougang Century and Shougang International are associates of Shougang Holding.

(c) Transactions and balances with other PRC government-related entities

Apart from the transactions and balances with the Shougang Group as disclosed in Note 40(a), and the investments in related companies as disclosed in Note 40(b), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As at 31 December 2017, 100%, 99% and 97% (2016: 100%, 99% and 98%), respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

(d) Compensation of key management personnel

The remuneration of the Directors and other members of key management for both years are as follows:

	2017	2016
	HK$'000	HK$'000
Short-term benefits	**7,202**	7,390
Post-employment benefit	**141**	180
	7,343	7,570

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2017	2016	Principal activities
Direct subsidiary					
SCG Investment (BVI) Limited	British Virgin Islands ("BVI")	HK$100,000	**100%**	100%	Investment holding
Indirect subsidiaries					
Concord Grand TV & Movie Investment Limited	BVI	US$1	**100%**	100%	Investment holding
Dunley Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Durali Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Grand Phoenix Limited	BVI	US$1	**100%**	100%	Investment holding
Jeckman Holdings Limited	BVI	US$100	**100%**	100%	Investment holding
Linksky Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Long Cosmos Investment Limited	Hong Kong	HK$2	**100%**	100%	Provision of administrative and management services
Lyre Terrace Management Limited	Hong Kong	HK$1,000,000	**100%**	100%	Property investment
On Hing Investment Company, Limited	Hong Kong	HK$1,000 (ordinary) HK$2,000,000 (non-voting deferred)	**100% (Note (c))**	100% (Note (c))	Property investment and investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2017	2016	Principal activities
Indirect subsidiaries (continued)					
SCG Capital Corporation Limited	Hong Kong	HK$20	**100%**	100%	Investment holding
SCG Finance Corporation Limited	Hong Kong	HK$20	**100%**	100%	Provision of financial services
SCG Financial Investment Limited	BVI	US$1,000	**100%**	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK$2	**100%**	100%	Property investment
South China Leasing	PRC (Note (b))	US$162,000,000 (Registered capital)	**75%**	75%	Provision of finance leasing services
Strenbeech Limited	BVI	HK$147,000,008	**100%**	100%	Investment holding
Tin Fung Investment Company, Limited	Hong Kong	HK$975,000 (ordinary) HK$210,000 (non-voting deferred)	**100% (Note (c))**	100% (Note (c))	Property investment/Inactive
Upper Nice Assets Ltd.	BVI	US$1	**100%**	100%	Investment holding
Valuework Investment Holdings Limited	BVI	US$100	**100%**	100%	Investment holding
悦康融滙投資咨詢(深圳)有限公司 Ecko Investment Company Limited*	PRC (Note (b))	HK$11,700,000 (Registered capital)	**100%**	100%	Investment holding

* For identification purpose only

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Notes:

(a) All issued share capital are ordinary shares unless otherwise stated.

(b) These entities are limited liability enterprises.

(c) Interests only refer to ordinary shares which are voting shares.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Details of non-wholly-owned subsidiary that has material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and operation	Principal activities	Proportion of ownership interests and voting rights held by non-controlling interests		Profit for the the year allocated to non-controlling interests		Accumulated non-controlling interests	
			2017	2016	**2017**	2016	**2017**	2016
			%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
South China Leasing	PRC	Provision of finance leasing services	**25**	25	**8,891**	442	**297,111**	264,693
Individually immaterial subsidiary with non-controlling interests							**429**	368
							297,540	265,061

South China Leasing is a private company established in Mainland China which provides finance leasing services in Mainland China.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Details of non-wholly-owned subsidiary that has material non-controlling interests (continued)

The Group has indirect ownership interest of 75% in South China Leasing at 31 December 2017 (2016: 75%), which is held by wholly owned subsidiaries of the Group. The remaining 25% non-controlling interest in South China Leasing is held by Shougang Holding. The Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of South China Leasing on the basis of the Group's absolute size of shareholding and the relative size of the shareholdings owned by the other shareholder.

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

South China Leasing

	2017	2016
	HK$'000	HK$'000
Current assets	**1,143,854**	934,769
Non-current assets	**1,097,739**	1,198,624
Current liabilities	**(649,472)**	(543,452)
Non-current liabilities	**(403,677)**	(531,167)
Equity attributable to owners of the Company	**891,333**	794,081
Non-controlling interests	**297,111**	264,693
Revenue	**107,387**	102,711
(Decrease) increase in fair value of investment properties	**(463)**	1,049
Impairment loss reversed (recognised) on finance lease receivables	**672**	(44,055)
Other expenses	**(72,031)**	(57,938)
Profit for the year	**35,565**	1,767

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

South China Leasing (continued)

	2017 HK$'000	2016 HK$'000
Profit for the year attributable to:		
Owners of the Company	**26,674**	1,325
Non-controlling interests	**8,891**	442
	35,565	1,767
Other comprehensive income (expenses) for the year attributable to:		
Owners of the Company	**70,582**	(49,722)
Non-controlling interests	**23,527**	(16,574)
	94,109	(66,296)
Total comprehensive income (expenses) for the year attributable to:		
Owners of the Company	**97,256**	(48,397)
Non-controlling interests	**32,418**	(16,132)
	129,674	(64,529)
Net cash inflow from operating activities	**165,775**	176,022
Net cash inflow from investing activities	**11,583**	88,101
Net cash outflow from financing activities	**(119,030)**	(469,071)
Net cash inflow (outflow)	**58,328**	(204,948)

42. EVENTS AFTER THE REPORTING PERIOD

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

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

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries (Note)	**353,385**	353,385
Amount due from subsidiaries (Note)	**487,765**	464,538
	841,150	817,923
Current assets		
Prepayment, deposits and other receivables	**194**	194
Bank balances and cash	**79**	84
	273	278
Current liabilities		
Other payables and accruals	**102**	102
Amounts due to subsidiaries	**32,078**	32,070
	32,180	32,172
Net current liabilities	**(31,907)**	(31,894)
Net assets	**809,243**	786,029
Capital and reserves		
Share capital	**26,722**	26,722
Reserves	**782,521**	759,307
Total equity	**809,243**	786,029

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Note: As at 31 December 2017, the amount due from a subsidiary with carrying amount of HK$487,765,000 (2016: HK$464,538,000) and principal amount of HK$564,648,000 (2016: HK$564,648,000) is unsecured, interest free and repayable on demand. In the opinion of the Directors, the Company will not demand for repayment within one year from the end of reporting period and the amount due from a subsidiary is therefore considered as non-current. Such interest-free advance is measured at amortised cost and the related effective interest income of approximately HK$23,227,000 (2016: HK$22,121,000), which is non-distributable, was recognised in profit or loss and accumulated effective interest income of approximately HK$45,348,000 (2016: HK$22,121,000), which is non-distributable, was recognised in retained earnings.

Movement in the Company's reserves

	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	604,068	113,441	28,081	2,892	748,482
Lapse of share options	–	–	(584)	584	–
Profit for the year	–	–	–	10,825	10,825
At 31 December 2016	604,068	113,441	27,497	14,301	759,307
Lapse of share options	–	–	(17,243)	17,243	–
Profit for the year	–	–	–	23,214	23,214
At 31 December 2017	**604,068**	**113,441**	**10,254**	**54,758**	**782,521**

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's major properties at the end of the reporting period are as follows:

LOCATION	EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties			
1. Flat 55 on 15th Floor of Tower 8 (of Parkview Rise) and Carparking Space No.283 on Car Park Entrance 3 (Level 4) Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Tai Tam, Hong Kong	Residential	Long	100%
2. Flat 9 on 23rd Floor and Flat 7 on 25th Floor, Apartment Tower on the Western Side, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	Long	100%
3. Flat 1612 of Block Q, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%
4. A space known as A35 on Ground Floor, Villa Verde, Guildford Road, The Peak, Hong Kong	Residential	Long	100%
5. Office units No. 23E (portion) to 23H on 23rd Floor, Times Financial Centre, No. 4001 Shennan Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	Commercial	Long	75%
Buildings			
1. Office units No. 23A to 23E (portion) on 23rd Floor, Times Financial Centre, No. 4001 Shennan Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	Commercial	Long	75%

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2013 HK$'000 (Restated)	2014 HK$'000 (Restated)	2015 HK$'000 (Restated)	2016 HK$'000	**2017** **HK$'000**
RESULTS					
Continuing operations					
Revenue	48,754	48,616	60,276	106,578	**109,512**
Cost of sales	(31,431)	(23,992)	(32,962)	(61,130)	**(50,380)**
Gross profit	17,323	24,624	27,314	45,448	**59,132**
Other income	6,608	7,987	5,496	11,451	**4,400**
Distribution costs and selling expenses	(517)	(697)	(1,955)	(672)	**(993)**
Administrative expenses	(32,156)	(34,877)	(41,281)	(33,248)	**(40,530)**
Gain on disposal of available-for-sale investment	–	–	–	–	**274**
Impairment loss (recognised) reversed on finance lease receivables	–	–	(81,723)	(44,055)	**672**
Impairment loss on interest in an associate	–	–	–	(43,019)	**(9,626)**
Increase in fair value of investment properties	3,600	2,400	12,455	4,670	**10,781**
Changes in fair value of held-for-trading investments	561	635	(2,005)	806	**67**
Finance costs	(345)	(370)	(613)	(264)	**(2,445)**
Share of results of associates	13,720	12,994	4,483	(25,349)	**(11,947)**
Profit (loss) before tax	8,794	12,696	(77,829)	(84,232)	**9,785**
Income tax (expense) credit	(2,173)	(2,141)	11,619	2,564	**(12,206)**
Profit (loss) for the year from continuing operations	6,621	10,555	(66,210)	(81,668)	**(2,421)**
Discontinued operation					
Loss for the year from discontinued operation	(94)	(433)	(272)	(304)	**–**
Profit (loss) for the year	6,527	10,122	(66,482)	(81,972)	**(2,421)**
Attributable to:					
Owners of the Company	6,550	10,165	(55,244)	(82,375)	**(11,332)**
Non-controlling interests	(23)	(43)	(11,238)	403	**8,911**
	6,527	10,122	(66,482)	(81,972)	**(2,421)**

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,353,950	1,378,534	3,331,552	2,524,472	**2,630,955**
Total liabilities	(487,155)	(498,361)	(1,695,526)	(1,061,140)	**(1,051,498)**
	866,795	880,173	1,636,026	1,463,332	**1,579,457**
Equity attributable to owners of the Company	866,038	879,477	1,354,580	1,198,271	**1,281,917**
Non-controlling interests	757	696	281,446	265,061	**297,540**
	866,795	880,173	1,636,026	1,463,332	**1,579,457**