Discover

THE VALUE

INTERIM REPORT 2010

SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

CONTENTS

CORPORATE INFORMATION

Board of Directors	Li Shaofeng *(Chairman)* Luo Zhenyu *(Managing Director)* Chen Zheng *(Managing Director of Operations)* Wang Tian *(Deputy Managing Director)* Yuan Wenxin *(Deputy 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	Li Shaofeng *(Chairman)* Luo Zhenyu Chen Zheng Wang Tian Yuan Wenxin
Audit Committee	Tam King Ching, Kenny *(Chairman)* Zhou Jianhong Yip Kin Man, Raymond
Nomination Committee	Li Shaofeng *(Chairman)* Leung Shun Sang, Tony *(Vice Chairman)* Tam King Ching, Kenny Zhou Jianhong Yip Kin Man, Raymond
Remuneration Committee	Leung Shun Sang, Tony *(Chairman)* Li Shaofeng *(Vice Chairman)* Tam King Ching, Kenny Zhou Jianhong Yip Kin Man, Raymond

CORPORATE INFORMATION (Continued)

Company Secretary	Cheng Man Ching
Auditor	Deloitte Touche Tohmatsu
Principal Registrars	HSBC Bank Bermuda Limited 6 Front Street Hamilton HM 11 Bermuda
Hong Kong Branch Share Registrars and Transfer Office	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai 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

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Grand (Group) Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Six months ended 30 June	
	Notes	**2010** ***HK$'000*** **(unaudited)**	2009 *HK$'000* (unaudited)
Continuing operations			
Revenue	*3*	**288,029**	214,001
Cost of sales		**(165,833)**	(166,048)
Gross profit		**122,196**	47,953
Interest income from entrusted loan receivables		**193**	2,068
Other income	*4*	**7,483**	8,469
Distribution costs and selling expenses		**(5,839)**	(4,603)
Administrative expenses		**(49,517)**	(53,549)
Impairment loss on finance lease receivables	*16*	**(12,304)**	–
Increase in fair value of investment properties		**8,750**	5,950
Changes in fair value of held-for-trading investments		**(1,770)**	12,417
Finance costs	*5*	**(1,766)**	(1,904)
Share of loss of an associate		**(19)**	(289)
Discount on acquisition of additional interest in a subsidiary	*6*	**–**	2,154
Profit before tax		**67,407**	18,666
Income tax expense	*8*	**(12,269)**	(5,212)
Profit for the period from continuing operations		**55,138**	13,454

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Discontinued operations			
Profit (loss) for the period from discontinued operations	7	**814**	(12,149)
Profit for the period	9	**55,952**	1,305
Other comprehensive income:			
Exchange differences on translation of foreign operations		**6,927**	(56)
Total comprehensive income for the period		**62,879**	1,249
Profit for the period attributable to:			
Owners of the Company		**11,790**	941
Non-controlling interests		**44,162**	364
		55,952	1,305
Total comprehensive income for the period attributable to:			
Owners of the Company		**17,042**	922
Non-controlling interests		**45,837**	327
		62,879	1,249
Earnings per share	11		
From continuing and discontinued operations			
Basic (HK cents)		**1.02**	0.08
Diluted (HK cents)		**1.01**	0.08
From continuing operations			
Basic (HK cents)		**0.95**	0.94
Diluted (HK cents)		**0.94**	0.94

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	**30 June 2010 HK$'000 (unaudited)**	31 December 2009 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	12	**227,556**	144,696
Prepaid lease payments		**5,812**	5,799
Investment properties	13	**245,673**	152,450
Goodwill		**52,935**	52,935
Available-for-sale investments	14	**5,403**	37,477
Interests in associates		**21,790**	21,569
Other receivables	15	**26,181**	20,657
Finance lease receivables	16	**343,524**	429,347
Entrusted loan receivables	17	**–**	227
Restricted bank deposits		**10,934**	56,958
Pledged bank deposit	25	**1,978**	1,956
		941,786	924,071
Current assets			
Inventories		**43,363**	34,947
Production work in progress		**2,505**	–
Amounts due from customers for contract work		**7,807**	5,795
Finance lease receivables	16	**211,352**	464,519
Entrusted loan receivables	17	**1,563**	25,873
Trade receivables	18	**78,577**	41,477
Prepayments, deposits and other receivables	15	**161,539**	93,746
Prepaid lease payments		**119**	125
Convertible loan receivable	19	**10,582**	119,255
Held-for-trading investments		**15,849**	25,420
Pledged bank deposit	25	**42,052**	–
Bank balances and cash		**576,981**	372,847
		1,152,289	1,184,004

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2010

	Notes	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)
Current liabilities			
Amounts due to customers for contract work		–	366
Trade payables	20	47,638	32,969
Other payables and accruals	21	165,671	58,316
Advance from customers		59,022	43,427
Rental and management fee deposits received		1,250	1,248
Amount due to an associate	22	21,114	20,874
Tax liabilities		20,914	19,526
Security deposits received		–	50,168
Borrowings	23	333,770	539,326
		649,379	766,220
Net current assets		502,910	417,784
Total assets less current liabilities		1,444,696	1,341,855
Capital and reserves			
Share capital	24	11,522	11,514
Retained earnings		473,484	438,708
Other reserves		147,298	158,773
Equity attributable to owners of the Company		632,304	608,995
Non-controlling interests		344,479	288,377
Total equity		976,783	897,372
Non-current liabilities			
Advance from customers		4,961	7,754
Borrowings	23	450,810	425,053
Security deposits received		10,345	10,000
Deferred tax liabilities		1,797	1,676
		467,913	444,483
Total equity and liabilities		1,444,696	1,341,855

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Attributable to owners of the Company										Attributable to non-controlling interests			
	Share capital *HK$'000*	Share premium *HK$'000*	Capital contribution reserve *HK$'000*	Contributed surplus reserve *HK$'000*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Statutory reserve *HK$'000*	Special reserve *HK$'000*	Retained earnings *HK$'000*	Subtotal *HK$'000*	Share options reserve of a subsidiary *HK$'000*	Non-controlling interests *HK$'000*	Subtotal *HK$'000*	Total *HK$'000*
At 1 January 2009 (audited)	11,514	559	445	115,576	40,853	23,504	–	(23,496)	382,689	551,644	54,603	264,927	319,530	871,174
Exchange differences on translation of foreign operations	–	–	–	–	(19)	–	–	–	–	(19)	–	(37)	(37)	(56)
Profit for the period	–	–	–	–	–	–	–	–	941	941	–	364	364	1,305
Total comprehensive income for the period	–	–	–	–	(19)	–	–	–	941	922	–	327	327	1,249
Cancellation of share options granted by subsidiaries	–	–	–	–	–	–	–	–	5	5	(5)	–	(5)	–
Capital contribution from a non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	5,816	5,816	5,816
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(38,332)	(38,332)	(38,332)
At 30 June 2009 (unaudited)	11,514	559	445	115,576	40,834	23,504	–	(23,496)	383,635	552,571	54,598	232,738	287,336	839,907
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	–	–	–	37,755	37,755	–	19,479	19,479	57,234
Total comprehensive income for the period	–	–	–	–	–	–	–	–	37,755	37,755	–	19,479	19,479	57,234
Exercise of share option of a subsidiary	–	–	–	–	–	–	–	–	–	–	(6)	237	231	231
Transfer to statutory reserve	–	–	–	–	–	–	2,879	–	(5,682)	(2,803)	–	2,803	2,803	–
Lapse/cancellation of share options	–	–	–	–	–	(1,528)	–	–	1,528	–	–	–	–	–
Cancellation of share options granted by subsidiaries	–	–	–	–	–	–	–	–	21,472	21,472	(21,472)	–	(21,472)	–
At 31 December 2009 and 1 January 2010 (audited)	11,514	559	445	115,576	40,834	21,976	2,879	(23,496)	438,708	608,995	33,120	255,257	288,377	897,372
Exchange differences on translation of foreign operations	–	–	–	–	5,252	–	–	–	–	5,252	–	1,675	1,675	6,927
Profit for the period	–	–	–	–	–	–	–	–	11,790	11,790	–	44,162	44,162	55,952
Total comprehensive income for the period	–	–	–	–	5,252	–	–	–	11,790	17,042	–	45,837	45,837	62,879
Exercise of share options	8	448	–	–	–	(127)	–	–	–	329	–	–	–	329
Cancellation of share options granted by subsidiaries *(Note)*	–	–	–	–	–	–	–	–	4,792	4,792	(6,167)	1,375	(4,792)	–
Difference arising on dilution of interest in a subsidiary *(Note 29)*	–	–	–	–	–	–	–	1,146	–	1,146	–	2,154	2,154	3,300
Release upon disposal of subsidiaries	–	–	–	–	(18,194)	–	–	–	18,194	–	–	(15,024)	(15,024)	(15,024)
Non-controlling interests arising on acquisition of a subsidiary *(Note 27)*	–	–	–	–	–	–	–	–	–	–	–	27,927	27,927	27,927
At 30 June 2010 (unaudited)	11,522	1,007	445	115,576	27,892	21,849	2,879	(22,350)	473,484	632,304	26,953	317,526	344,479	976,783

Note: During the six months ended 30 June 2010, 920,000 share options issued by a subsidiary of the Group lapsed on the expiry of the three-month period following the dates of cessation of the respective employees and 5,423,000 share options issued by a subsidiary of the Group lapsed on the expiry dates of the respective exercise periods of the options.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Notes	Six months ended 30 June 2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		**304,781**	155,165
INVESTING ACTIVITIES			
Repayment (investment in) of convertible loan receivable		**110,107**	(45,454)
Proceeds from disposal of subsidiaries	*7*	**90,443**	–
Decrease (increase) of restricted bank deposits		**46,679**	(11,619)
Investment in available-for-sale investments		**–**	(568)
Repayment of entrusted loan receivable		**24,373**	–
Interest received		**3,172**	977
Interest received from entrusted loan receivables		**193**	2,352
Purchase of property, plant and equipment		**(90,148)**	(35,028)
Acquisition of a subsidiary	*27*	**(63,149)**	–
Increase in pledged bank deposits		**(42,052)**	(18,920)
Proceeds from disposal of intangible asset, net of transaction costs		**–**	168,703
Proceeds from disposal of property, plant and equipment		**–**	892
Acquisition of additional interest in a subsidiary		**–**	(9,949)
NET CASH FROM INVESTING ACTIVITIES		**79,618**	51,386
FINANCING ACTIVITIES			
Repayment of borrowings		**(333,309)**	(213,073)
New borrowings raised		**144,300**	14,773
Proceeds from issue of share options of subsidiaries		**3,300**	–
Issue of shares from exercise of share options of the Company		**329**	–
Advance from an associate		**240**	20,874
Capital contribution from minority shareholders		**–**	5,816
NET CASH USED IN FINANCING ACTIVITIES		**(185,140)**	(171,610)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2010

		Six months ended 30 June	
	Notes	**2010** *HK$'000* **(unaudited)**	2009 *HK$'000* (unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**199,259**	34,941
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**372,847**	195,381
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**4,875**	(56)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**576,981**	230,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed 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.

The accounting policies used in these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised Standard, Amendments to Standards and Interpretation ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the financial year beginning on 1 January 2010, except as disclosed below.

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. In the current interim period, the Group acquires 68% of the issued capital of 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.) ("Guangdong Shishang"), a limited liability company established in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan), which has been accounted for as acquisition of assets and assumption of liabilities as it does not constitute a business under HKFRS 3 (Revised). As there was no transaction during the current interim period in which HKFRS 3 (Revised) is applicable, the application of HKFRS 3 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS3 (Revised) and the consequential amendments to the other HKFRSs are applicable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except as described below, the application of these revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* issued in 2009 as part of the *Improvements to HKFRSs* clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such assets (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

Amendment to HKAS 17 Leases

As part of Improvements to IFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leasehold asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17 *Leases*, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information which existed at the inception of these leases. This change in policy has had no material effect on the condensed consolidated financial statements of the Group.

The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company (the "Directors") anticipate that the application of new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in profit or loss. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss. Its application has resulted in the difference arising on dilution of interest in a subsidiary upon exercise of the subsidiary's share options of approximately HK$2,261,000. The Group's share of the difference based on the Group's shareholding in the subsidiary was approximately HK$1,146,000, which has been directly credited to equity in the current period. In addition, proceeds upon exercise of these share options of HK$3,300,000 are presented as cash inflow from financing activities.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognises all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date the control is lost. A gain or loss on loss of control is recognised in profit or loss as the difference between the proceeds, if any, and these adjustments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (Continued)

In the current period, these changes in policies have affected the dilution of interest in a subsidiary as follows:

Condensed consolidated statement of comprehensive income
For the six months ended 30 June 2010

	HK$'000 (unaudited)
Decrease in profit for the period arising on non-recognition of difference arising on dilution of interest in a subsidiary	1,146

The effect of changes in accounting policies described above on the Group's basic and diluted earnings per share for the current period is as follows:

Impact on basic earnings per share (from continuing and discontinued operations)

	Six months ended 30 June 2010 ***HK cents*** **(unaudited)**
Basic earnings per share before adjustment	**1.12**
Adjustment arising from change in accounting policy *(see note 2)* in relation to difference arising on dilution of interest in a subsidiary	**(0.10)**
Reported basic earnings per share	**1.02**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements (Continued)

Impact on diluted earnings per share (from continuing and discontinued operations)

	Six months ended 30 June 2010 ***HK cents*** **(unaudited)**
Diluted earnings per share before adjustment	**1.11**
Adjustment arising from change in accounting policy *(see note 2)* in relation to difference arising on dilution of interest in a subsidiary	**(0.10)**
Reported diluted earnings per share	**1.01**

The Group has not early applied the following new and revised Standards, Amendments to Standards or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Right Issues[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 9	Financial Instruments[5]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into eight operating divisions – Property leasing and building management services; digital content distribution and exhibitions; deployment of digital cinema network in Asia; computer graphic ("CG") creation and production; CG training courses; cultural park (a new division for the six months ended 30 June 2010 upon the acquisition of 68% of the issued capital of Guangdong Shishang (defined in note 2) as disclosed in note 27); finance leasing and assets management. These divisions are the basis that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

A division – Film and television programme production, which was also an operating segment of the Group, was discontinued during the six months ended 30 June 2010 upon the disposal of the entire issued share capital of a subsidiary, Grand Award Limited as disclosed in note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenues and results by reportable segment:

Six months ended 30 June 2010 (unaudited)

Continuing operations

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	Deployment of digital cinema network in Asia HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Cultural park HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Segment revenue	3,103	230,733	3,032	9,798	10,486	233	30,644	–	288,029
Segment result	12,455	76,428	505	(2,660)	2,360	(997)	1,250	(153)	89,188
Investment income									914
Central administration costs									(19,140)
Changes in fair value of held-for-trading investments									(1,770)
Finance costs									(1,766)
Share of loss of an associate									(19)
Profit before tax (continuing operations)									67,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2009 (unaudited)

Continuing operations

	Property leasing and building management services HK$'000	Digital content distribution and exhibitions HK$'000	Deployment of digital cinema network in Asia HK$'000	CG creation and production HK$'000	CG training courses HK$'000	Finance leasing HK$'000	Assets management HK$'000	Consolidated HK$'000
Segment revenue	3,363	130,709	–	21,002	9,345	49,582	–	214,001
Segment result	8,842	21,502	(1,953)	(16,662)	3,081	11,858	–	26,668
Investment income								2,220
Central administration costs								(20,446)
Changes in fair value of held-for-trading investments								12,417
Finance costs								(1,904)
Share of loss of an associate								(289)
Profit before tax (continuing operations)								18,666

All of the segment revenue reported above is from external customers.

Segment result represents the profit earned or loss incurred by each segment without allocation of investment income, central administration costs, changes in fair value of held-for-trading investments, finance costs and share of loss of an associate. This is the measure reported to the chief operating decision maker, being the Group's Executive Directors, for the purposes of resources allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

4. OTHER INCOME

Continuing operations

Other income for the six months ended 30 June 2010 primarily comprises government grants of approximately HK$3,574,000 (Six months ended 30 June 2009: HK$885,000) and interest income of approximately HK$2,954,000 (Six months ended 30 June 2009: HK$2,581,000).

Other income for the six months ended 30 June 2009 also included an one-off gain of approximately HK$2,543,000 (Six months ended 30 June 2010: Nil) on disposal of an intangible asset to China Film Group Corporation ("China Film Group"), the majority shareholder of an associate of the Group, and the relevant imputed interest income of approximately HK$2,062,000 (Six months ended 30 June 2010: Nil) derived from the deferred consideration. The disposal was approved by shareholders of the Company at the Special General Meeting on 17 February 2009. Details of the disposal were set out in the circular of the Company dated 23 January 2009.

5. FINANCE COSTS

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank and other borrowings wholly repayable within five years	**2,551**	957
Interest on bank and other borrowings not wholly repayable within five years	**823**	947
Total borrowing costs	**3,374**	1,904
Less: amounts capitalised in the cost of qualifying assets	**(1,608)**	–
	1,766	1,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

6. DISCOUNT ON ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 20 August 2008, the Group entered into a conditional agreement with the minority shareholder of South China International Leasing Co., Ltd. ("South China Leasing"), a then 80% indirect owned subsidiary of the Company, pursuant to which the minority shareholder agreed to transfer its 20% equity interest in the registered capital of South China Leasing to the Group for a consideration of RMB31,755,150 (equivalent to approximately HK$36,085,000). Details of this acquisition were set out in the circular of the Company dated 3 September 2008.

This acquisition was completed in April 2009 upon receiving the approval by the appropriate authority in the PRC and South China Leasing became an indirect wholly-owned subsidiary of the Company.

The Group has ascertained the fair value of the net assets of South China Leasing in relation to the acquisition of additional interest in South China Leasing at the date of completion and concluded that the fair values of assets and liabilities of South China Leasing at that time did not have significant difference from their respective carrying amounts. Accordingly, discount on acquisition of additional interest in South China Leasing of approximately HK$2,154,000 arose, which represented the excess of the Group's additional interest in the fair value of the net assets of South China Leasing over the consideration paid at the date of completion.

7. DISPOSAL OF SUBSIDIARIES

On 16 March 2010, a subsidiary of the Company entered into a share transfer agreement with an independent purchaser and a guarantor, pursuant to which the subsidiary agreed to sell to the purchaser the entire issued share capital of Grand Award Limited for US$1 and to assign the loan to the purchaser for an aggregate consideration of HK$247,920,000 (the "Disposal"). Grand Award Limited and its subsidiaries ("Grand Award Group") carried out all of the Group's film and television programme production. The Disposal was completed on 11 June 2010 on which date the Group passed the control of Grand Award Group to the purchaser. Details of the Disposal are set out in the announcement of the Company dated 16 March 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

7. DISPOSAL OF SUBSIDIARIES (Continued)

The profit (loss) from the discontinued operations for the relevant periods is analysed as follow:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Profit (loss) from the discontinued operations	**428**	(12,149)
Gain on disposal of the discontinued operations	**386**	–
	814	(12,149)
Attributable to:		
Owners of the Company	**809**	(9,920)
Non-controlling interests	**5**	(2,229)
	814	(12,149)

The results of the discontinued operations for the relevant periods were as follow:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Revenue	**347**	2,047
Cost of sales	**(464)**	(7,765)
Gross loss	**(117)**	(5,718)
Other income	**1,874**	5,608
Distribution costs and selling expenses	**(330)**	(1,030)
Administrative expenses	**(4,640)**	(3,989)
Changes in fair values for held-for-trading investments	**–**	(6,823)
Finance costs	**–**	(152)
Loss before tax	**(3,213)**	(12,104)
Tax credit (expenses)	**3,641**	(45)
Profit (loss) for the period	**428**	(12,149)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

7. DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of Grand Award Group at the date of disposal were as follows:

	11 June 2010 *HK$'000* (unaudited)
Net assets disposed of	
Property, plant and equipment	120
Available-for-sale investments	32,506
Prepayments, deposits and other receivables	233,921
Bank balances and cash	15,886
Trade payables	(890)
Other payables and accruals	(18,985)
	262,558
Non-controlling interests	(15,024)
	247,534
Gain on disposal	386
Total consideration	247,920
Satisfied by:	
Cash	106,329
Deferred cash consideration	141,591
	247,920
Net cash inflow arising on disposal:	
Total cash consideration received	106,329
Bank balances and cash disposed of	(15,886)
	90,443

The remaining deferred cash consideration, after offsetting an amount of approximately HK$41,291,000 owed by the Group to Grand Award Group, is included in other receivables at 30 June 2010 as set out in note 15 and has been settled after the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

7. DISPOSAL OF SUBSIDIARIES (Continued)

Cash flows from Grand Award Group:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash flows (used in) from operating activities	**(125,262)**	59,506
Net cash flows from (used in) investing activities	**29,359**	(22,593)
Net cash flows	**(95,903)**	36,913

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	**11,841**	5,027
Hong Kong	**307**	(18)
	12,148	5,009
Deferred taxation:		
Current period	**121**	203
	12,269	5,212

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

Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions, if any.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary is exempted from PRC EIT for two years starting from their first profit making year which was in 2007, followed by a 50% reduction for the next three years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

8. INCOME TAX EXPENSE (Continued)

No provision for income tax in Singapore and the United States has been made in the condensed consolidated statement of comprehensive income for both periods as the Group has no assessable profit arising in these jurisdictions.

9. PROFIT FOR THE PERIOD

	Six months ended 30 June 2010			Six months ended 30 June 2009		
	Continuing operations *HK$'000* (unaudited)	Discontinued operations *HK$'000* (unaudited)	Total *HK$'000* (unaudited)	Continuing operations *HK$'000* (unaudited)	Discontinued operations *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
Profit for the period has been arrived at after charging (crediting):						
Revenue *(note 3)*	(288,029)	(347)	(288,376)	(214,001)	(2,047)	(216,048)
Cost of sales	165,833	464	166,297	160,048	7,765	173,813
Interest income from entrusted loan receivables	(193)	–	(193)	(2,068)	(284)	(2,352)
Other income *(note 4)*	(7,483)	(1,874)	(9,357)	(8,469)	(5,324)	(13,793)
Allowance for inventories	–	–	–	–	4,770	4,770
Allowance for doubtful debts	–	–	–	–	6,001	6,001
Amortisation of intangible asset (included in cost of sales)	–	–	–	633	–	633
Amortisation of prepaid lease payments	57	–	57	79	–	79
Depreciation of property, plant and equipment	7,097	133	7,230	5,592	726	6,318
Less: amounts included in contract cost	(1,561)	–	(1,561)	(1,386)	–	(1,386)
	5,536	133	5,669	4,206	726	4,932
Loss (gain) on disposal of property, plant and equipment	1,347	–	1,347	(2,714)	–	(2,714)
Finance cost *(note 5)*	1,766	–	1,766	1,904	152	2,056
Research and development costs recognised as an expense	4,155	–	4,155	3,583	–	3,583
(Profit) loss before tax	(67,407)	2,827	(64,680)	(18,666)	12,104	(6,562)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 and 2009.

11. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**11,790**	941
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,151,888**	1,151,392
Effect of dilutive potential ordinary shares: Share options	**21,020**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,172,908**	1,151,392

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

11. EARNINGS PER SHARE (Continued)

From continuing operations

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

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings figures are calculated as follow:		
Profit for the period attributable to the owners of the Company	**11,790**	941
Less: Profit (loss) for the period from discontinued operations attributable to the owners of the Company	**809**	(9,920)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**10,981**	10,861

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

From discontinued operations

Basic earnings (loss) per share from discontinued operations is HK0.07 cents per share (Six months ended 30 June 2009: basic and diluted (loss) is HK(0.86) cents per share) and diluted earnings (loss) per share from the discontinued operations is HK0.07 cents per share, based on the profit (loss) for the period from the discontinued operation of HK$0.81 million (Six months ended 30 June 2009: HK$(9.92) million) and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share for the six months ended 30 June 2009 does not include the potential ordinary shares arising from the Company's share options because the exercise prices of these share options were higher than the average market price for the shares for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group acquired property, plant and equipment of approximately HK$90,148,000 (Six months ended 30 June 2009: HK$35,028,000).

13. INVESTMENT PROPERTIES

	Notes	**30 June 2010** ***HK$'000*** **(unaudited)**	31 December 2009 *HK$'000* (audited)
Investment properties located in Hong Kong, at fair value	(i)	**161,200**	152,450
Properties interest held under an operation lease, at cost *(Note 27)*	(ii)	**84,473**	–
		245,673	152,450

Notes:

(i) The fair value of the Group's investment properties located in Hong Kong at 30 June 2010 and 31 December 2009 has been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties of approximately HK$8,750,000 (Six months ended 30 June 2009: HK$5,950,000) has been credited to profit or loss for the period.

(ii) The investment properties represent the properties interest held under an operating lease on a property project under construction which arose from a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") entered into by Guangdong Shishang and 珠江電影製片有限公司 (Pearl River Film Production Company Limited) ("Pearl River Film Production"), a limited liability company established in the PRC and a state-owned enterprise, to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park"). Details of the property project as disclosed in Note 27.

The investment properties are stated at cost as the fair value of the property under construction cannot be reliably measured.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

14. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**30 June 2010** ***HK$'000*** **(unaudited)**	31 December 2009 *HK$'000* (audited)
Unlisted equity interests	(i)	**5,403**	5,341
Unlisted non-performing loans and interests	(ii)	**–**	32,136
		5,403	37,477

Notes:

(i) The investment represents 5% equity interest in a private entity established in the PRC, and is measured at cost less impairment at the end of the reporting period.

(ii) On 30 January 2009, the Group entered into two agreements with 中國東方資產管理公司石家莊辦事處 (the "Vendor"), an independent third party, pursuant to which the Group acquired two non-performing loans and interests accrued thereon with principal amounts of RMB23 million (equivalent to approximately HK$26.1 million) and RMB30.5 million (equivalent to approximately HK$34.7 million) for considerations of RMB9 million (equivalent to approximately HK$10.3 million) and RMB19.0 million (equivalent to approximately HK$21.8 million), respectively. Details of which were set out in the announcement of the Company dated 4 February 2009.

The advance of approximately RMB28 million (equivalent to approximately HK$32.1 million) to the Vendor became the investment costs which were then designated as available-for-sales investments thereafter and the fair value of the investment as at 31 December 2009 is estimated to approximate its cost. Only after such time as the interest-in-suspense was no longer required, interest income would then be subsequently recognised using the effective interest method.

The unlisted non-performing loans and interests were disposed of upon the disposal of interest in subsidiaries set out in note 7.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The whole amount of other receivables classified as non-current assets and approximately HK$4,336,000 (31 December 2009: HK$4,153,000) of other receivables classified as current assets relate to receivables arising from virtual print fee ("VPF") agreements.

As at 30 June 2010, the Group has outstanding VPF agreements and exhibition agreements (collectively referred to as "VPF Arrangement") with distributors and exhibitors of digital content (collectively referred to as "Third Parties") in connection with the deployment of digital cinema equipment in cinemas in Asia. Under the VPF Arrangement, the Group would provide (i) assembly and integration services in respect of digital cinema equipment and install the equipment in the exhibitors' cinemas as well as (ii) financing to the Third Parties for a portion of the agreed purchase price of this digital cinema equipment. These receivables, which are to be settled based on the usage of the digital cinema equipment within 10 years from the date of installation, bear interest at the cost of funds incurred by that subsidiary arising from the VPF Arrangement but subject to a cap of 10% per annum. There is no new VPF Arrangements entered into in the current interim period.

The Directors expect that approximately HK$4,336,000 (31 December 2009: HK$4,153,000) will be settled within one year after the end of the reporting period and this amount is therefore classified as a current asset.

In addition, an amount of approximately HK$100,300,000 relating to the disposal of subsidiaries set out in note 7 is included in other receivables and classified as current assets. The amount is unsecured and non-interest bearing and has been settled after the end of the interim reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

16. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2010 HK$'000 (unaudited)	31 December 2009 HK$'000 (audited)	**30 June 2010 HK$'000 (unaudited)**	31 December 2009 HK$'000 (audited)
Finance lease receivables comprise:				
Within one year	**245,705**	509,737	**211,352**	464,519
In more than one year but not more than two years	**233,676**	220,935	**216,928**	197,595
In more than two years but not more than three years	**125,603**	210,666	**121,171**	200,882
In more than three years but not more than four years	**5,161**	31,414	**4,883**	30,014
In more than four years but not more than five years	**534**	705	**495**	615
More than five years	**47**	248	**47**	241
	610,726	973,705	**554,876**	893,866
Less: Unearned finance income	**(55,850)**	(79,839)	**N/A**	N/A
Present value of minimum lease receipts	**554,876**	893,866	**554,876**	893,866
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**211,352**	464,519
Non-current finance lease receivables (receivable after 12 months)			**343,524**	429,347
			554,876	893,866

Effective interest rates of the above finance leases receivables range from approximately 6% to 16% per annum.

During the six months ended 30 June 2010, the Directors reviewed the credit quality of the finance lease receivables according to their past repayment history. Impairment loss of approximately HK$12,304,000 (Six months ended 30 June 2009: Nil) has been recognised for the six months ended 30 June 2010 in respect of a debtor that has defaulted in payment in this period and the Directors considered that the recoverability of the amount is low.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

17. ENTRUSTED LOAN RECEIVABLES

	30 June 2010 ***HK$'000*** **(unaudited)**	31 December 2009 *HK$'000* (audited)
Entrusted loan receivables comprise:		
Within one year	**1,563**	25,873
In more than one year but not more than two years	**–**	227
	1,563	26,100
Less: Amounts due within one year shown under current assets	**(1,563)**	(25,873)
Amounts due after one year	**–**	227

18. TRADE RECEIVABLES

	30 June 2010 ***HK$'000*** **(unaudited)**	31 December 2009 *HK$'000* (audited)
Trade receivables	**78,577**	51,172
Less: Allowance for doubtful debts	**–**	(9,695)
	78,577	41,477

The Group allows different credit periods to its trade customers from 30 days to 90 days depending on the type of products or services provided.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

18. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the end of the reporting period:

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
Within three months	**70,411**	39,670
Three to six months	**7,575**	1,484
Over six months	**591**	323
	78,577	41,477

19. CONVERTIBLE LOAN RECEIVABLE

On 23 December 2008, the Group entered into a conditional agreement (the "Loan Facility Arrangement") with Southern International Limited (the "Borrower"), a private investment company incorporated in Hong Kong, and its holding company whereby the Group agreed to advance a loan facility in the maximum principal amount of RMB100 million (equivalent to approximately HK$113.6 million) (the "Loan Receivable") and the Borrower agreed to grant to the Group the exclusive rights and options to subscribe for an aggregate of up to 60% of the enlarged issued capital of the Borrower (the "Conversion Option") at an exercise price to be determined with reference to the audited consolidated financial statements of the Borrower in respect of each of the 12-month periods beginning on 1 July each year from 2009 to 2012. Details of the transaction were set out in the circular of the Company dated 23 January 2009. The transaction was approved by shareholders of the Company at the Special General Meeting of the Company on 17 February 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

19. CONVERTIBLE LOAN RECEIVABLE (Continued)

The Conversion Option was granted to the Group pursuant to the Loan Facility Arrangement. Accordingly, the Group assessed the fair value of the Loan Receivable with reference to the prevailing market interest of similar non-convertible loans and appointed Messrs. Jones Lang LaSalle Sallmanns Limited ("Sallmanns"), an independent qualified professional valuer not connected with the Group, to ascertain the fair value of the Conversion Option as at 17 February 2009 and 30 June 2009 ("Valuation"). The fair value of the Conversion Option as at 31 December 2009 was estimated by the Directors with reference to the valuation methodology adopted by Sallmanns and the performance of the Borrower since 1 July 2009. The Group concluded that the principal amount of the Loan Receivable approximated to its fair value at initial recognition and the fair value of the Conversion Option was insignificant at initial recognition and 31 December 2009. As there is no significant changes in the business operation of the Borrower, the Group considers the fair value of the Conversion Option continued to be insignificant as at 30 June 2010.

As at 31 December 2009, the carrying amount of the convertible loan receivable of approximately HK$119.3 million comprised the principal amount of RMB100 million (equivalent to approximately HK$113.6 million) and the accrued interest thereon.

During the six months ended 30 June 2010, the Borrower repays part of the principal amount of Loan Receivable and the accrued interest thereon amounting to approximately HK$110.1 million. As at 30 June 2010, the remaining principal amount and interest of approximately HK$10.6 million is expected to be settled within one year after the end of the reporting period and therefore is classified as a current asset. The convertible loan receivable is stated at amortised cost using the effective interest method at 6% per annum less any identified impairment losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

20. TRADE PAYABLES

The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice date:

	30 June 2010	31 December 2009
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within three months	**40,634**	31,153
Three to six months	**7,004**	1,816
	47,638	32,969

The average credit period on purchases of good is 60 days.

21. OTHER PAYABLES AND ACCRUALS

Other payables as at 30 June 2010 included an amount of approximately RMB84,581,000 (equivalent to approximately HK$97,341,000) due to 首方投資管理（深圳）有限公司 (Capital Steel Investment (China) Ltd.) ("Capital Steel") in connection with fund advanced from Capital Steel. The Capital Steel was a then subsidiary of the Group and became an independent third party upon the disposal of Grand Award Group as set out in note 7. The amount is unsecured, non-interest bearing and repayable on demand.

22. AMOUNT DUE TO AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

23. BORROWINGS

During the six months ended 30 June 2010, the Group draws new borrowing of approximately HK$102.3 million from existing unutilised banking facilities, which is secured by pledge of construction in progress and prepaid lease payment, carries interest at the People's Bank of China Renminbi Lending Rate per annum and are repayable after twelve months from the end of the reporting period in instalments over a period of five years, and obtains new bank loans of approximately HK$42.1 million, which are secured by pledge of bank deposits, carries at fixed interest rates from 1.98% to 2.02% per annum and are repayable within twelve months from the end of the reporting period. The proceeds are used to finance the construction and as general working capital for the Group, respectively. The Group repaid borrowings of approximately HK$333.3 million (Six month ended 30 June 2009: HK$213.1 million) in accordance with the repayment terms.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

24. SHARE CAPITAL

	30 June 2010		31 December 2009	
	Number of shares	**Nominal value** *HK$'000*	Number of shares	Nominal value *HK$'000*
	(unaudited)	**(unaudited)**	(audited)	(audited)
Ordinary share of HK$0.01 each				
Authorised:				
At beginning and end of the period/year	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At beginning of the period/year	**1,151,392,469**	**11,514**	1,151,392,469	11,514
Exercise of share options	**800,000**	**8**	–	–
At the end of the period/year	**1,152,192,469**	**11,522**	1,151,392,469	11,514

25. CHARGE ON ASSETS

As at 30 June 2010, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$161.2 million (31 December 2009: HK$152.5 million) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$151.1 million (31 December 2009: HK$153.0 million).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$501.8 million (31 December 2009: HK$827.9 million) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$478.8 million (31 December 2009: HK$801.2 million).

(iii) There were new bank deposits of approximately HK$42.1 million restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK$42.1 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

25. CHARGE ON ASSETS (Continued)

(iv) The Group's construction in progress and prepaid lease payment with an aggregate carrying value of approximately HK$171.2 million (31 December 2009: HK$97.4 million) were pledged to bank to secure for bank borrowing with outstanding amount of approximately HK$112.6 million (31 December 2009: HK$10.2 million) and undrawn borrowing facilities of approximately HK$59.8 million (31 December 2009: HK$160.2 million).

(v) The Group pledges deposit amounted to approximately HK$2.0 million to a bank to secure a construction agreement entered into with an independent third party. The pledged bank deposit will be released upon the settlement of the construction payable.

26. CONTINGENCIES AND COMMITMENTS

Capital commitments

	30 June 2010 *HK$'000* **(unaudited)**	31 December 2009 *HK$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of property, plant and equipment	**77,052**	125,733

Litigations

(i) On 14 May 2003, GDC Entertainment Limited ("GDC Entertainment"), a non-wholly owned subsidiary of the Company, entered into a co-production agreement (the "Co-production Agreement") with Westwood Audiovisual and Multimedia Consultants, Inc. ("WAMC") and Production and Partners Multimedia, SAS ("P&PM") in relation to an animated television series.

In about November 2004, P&PM and WAMC commenced proceedings against GDC Entertainment in the Court of Commerce of Angouleme (France) alleging breaches on the part of GDC Entertainment of the Co-production Agreement.

In relation to the French proceedings, the Group's French legal advisers had advised that the enforcement of P&PM's and WAMC's claims should only be limited to the assets of GDC Entertainment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

26. CONTINGENCIES AND COMMITMENTS (Continued)

Litigations (Continued)

(i) Further, arbitration proceedings were commenced by GDC Entertainment against P&PM and WAMC in Hong Kong by way of a notice of arbitration dated 16 June 2005 issued pursuant to the Co-production Agreement. In the arbitration, issues had been raised by GDC Entertainment as to whether P&PM and/or WAMC were in repudiatory breach of the Co-production Agreement which entitled GDC Entertainment to terminate the same claim of damages from P&PM and WAMC. Pleadings have not yet been exchanged in the arbitration. P&PM and WAMC have applied to the arbitrator for the determination of a preliminary issue as to whether the arbitrator has jurisdiction to hear the dispute which GDC Entertainment will refer to the arbitrator in the arbitration. The hearing of the application was held on 20 January 2006. Award of the arbitrator was published on the Issue of Jurisdiction on 23 March 2006 dismissing the application, and made an order for costs in GDC Entertainment's favour in respect of the application. Since then, there has been no further step taken by the parties. GDC Entertainment has written to the arbitrator seeking directions for the further conduct of the arbitration, including the service of pleadings in the arbitration.

The Directors are of the opinions that settlement of the claim is remote. Accordingly, no provision for any potential liability has been made in the condensed consolidated financial statements.

Effective from 1 May 2008, GDC Entertainment had been struck off but can be restored at any time up to ten years after the strike off date.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

26. CONTINGENCIES AND COMMITMENTS (Continued)

Litigations (Continued)

(ii) A subsidiary of the Group, Global Digital Creations Holdings Limited ("GDC") received an original complaint in April 2010 and a first amended complaint in July 2010 for damages and injunctive relief, and demand for jury trial (the "Proceeding") filed with the District Court, Central District of California Western Division of the United States by X6D Limited, X6D USA Inc. and XpanD, Inc. against, among others, GDC and its subsidiaries namely GDC Technology Limited ("GDC Technology"), GDC Technology China Limited, GDC Technology (USA) LLC and GDC Technology of America LLC (collectively, the "Defendants") for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the Group.

GDC has filed a motion to dismiss in July 2010 as to strike for certain claims and certain allegations in the Proceeding. The hearing of the Proceeding is scheduled to be held on 30 August 2010. Since the Proceeding is in a preliminary stage, the Directors cannot assess the outcome of the litigation.

27. ACQUISITION OF A SUBSIDIARY

On 30 March 2010, a non-wholly owned subsidiary of the Group acquired 68% of the issued capital of Guangdong Shishang for consideration of RMB56,060,000 (equivalent to approximately HK$63,705,000). The acquisition was completed on 20 April 2010. Details of the acquisition were set out in the announcement of the Company dated 30 March 2010.

Guangdong Shishang is a limited liability company established in the PRC on 23 March 2007. Guangdong Shishang entered into the Framework Agreement with Pearl River Film Production to redevelop the Pearl River Film Cultural Park. Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agrees to grant the property leasing right to Guangdong Shishang, in return for predetermined fixed monthly payment from Guangdong Shishang for a term up to 31 December 2045. Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Shishang has to return all properties to Pearl River Film Production.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

27. ACQUISITION OF A SUBSIDIARY (Continued)

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, China and the present land use right is owned by Pearl River Film Production. After the redevelopment which is expected to be completed in the next 2 to 3 years, the Pearl River Film Cultural Park will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment property purposes.

The acquisition of the subsidiary is accounted for as acquisition of assets and assumption of liabilities.

The net assets of the subsidiary acquired as of the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Investment properties	84,473
Prepayments, deposits and other receivables	12,305
Bank balances and cash	556
Other payables and accruals	(5,702)
	91,632
Non-controlling interests	(27,927)
Total consideration satisfied by cash	63,705
Net cash outflow arising on acquisition:	
Cash consideration paid	63,705
Bank balances and cash acquired	(556)
	63,149

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2010

28. RELATED PARTY TRANSACTIONS

Apart from details of the balances with related parties disclosed in the condensed consolidated statement of financial position on pages 6 and 7, the Group also entered into the following transactions with related parties during the period:

	Six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Controlling shareholders:		
Consultancy expenses charged by Shougang Holding (Hong Kong) Limited ("Shougang Holding")	**480**	480
Associate of Shougang Holding:		
Management fee charged by Shougang Concord International Enterprises Company Limited ("Shougang International")	**545**	570
Rental income received from Gold Regal Limited	**71**	71

At 30 June 2010 and 31 December 2009, the Group's held-for-trading investments included listed securities of 13,870,000 shares of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares of Shougang International. Shougang Century and Shougang International are associates of Shougang Holding.

29. DILUTION OF INTEREST IN A SUBSIDIARY

The amount of approximately HK$1,146,000 represents the Group's share of the excess of proceeds of HK$3,300,000 received by GDC Technology, a subsidiary of the Company, upon exercise of share options of GDC Technology over the carrying amount of non-controlling interests deemed to be disposed of on dilution amounting to approximately HK$1,039,000. The amount has been recognised in special reserve in the current period.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 4 to 40, which comprises the condensed consolidated statement of financial position of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Revenue from continuing operations of the Group for the six months ended 30 June 2010 was approximately HK$288,029,000, when compared with the revenue of approximately HK$214,001,000 for the corresponding period in 2009, represented an increase of approximately 35%. The increase was mainly attributable to the increase in the revenue of the digital content distribution and exhibitions division by approximately HK$100,024,000, netting off with the reduction in the income from the computer graphic ("CG") creation and production division and the decrease in the finance lease income by approximately HK$11,204,000 and HK$18,938,000 respectively.

Cost of sales from continuing operations for the six months ended 30 June 2010 amounted to approximately HK$165,833,000, represented a similar level with that of approximately HK$166,048,000 for the corresponding period in 2009.

The gross profit from the continuing operations of the Group for the six months ended 30 June 2010 was approximately HK$122,196,000 representing a gross profit margin of approximately 42%, an increase of approximately 20% when compared with the gross profit margin of approximately 22% for the corresponding period in 2009. The improvement was mainly attributable to increase in sales of digital cinema equipment with higher margin and an increase in technical service income and revenue from the provision of assembly and integration services digital cinemas during this period.

Other income from the continuing operations for the six months ended 30 June 2010 amounted to approximately HK$7,483,000 (Six months ended 30 June 2009: HK$8,469,000), representing a decrease of approximately 12%. The decrease was mainly due to the amount for the six months ended 30 June 2009 included an one-off gain of approximately HK$2,543,000 for the disposal of intangible asset to China Film Group Corporation ("CFGC") upon termination of the cooperation with CFGC for the deployment of digital cinema network in the People's Republic of China (the "PRC", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) and the relevant imputed interest income of approximately HK$2,062,000 derived from the deferred consideration.

Administrative expenses from the continuing operations for the six months ended 30 June 2010 amounted to approximately HK$49,517,000 (Six months ended 30 June 2009: HK$53,549,000), representing a decrease of approximately 8% when compared with the same period in 2009.

The gain on disposal of subsidiaries of approximately HK$386,000 for the six months ended 30 June 2010 represented the gain on the disposal of the entire issued share capital of Grand Award Limited for US$1 and the assignment of a shareholder's loan for HK$247,920,000 (the "Disposal"). Grand Award Limited and its subsidiaries carried out all of the Group's film and television programme production. The Disposal was completed on 11 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL OVERVIEW (Continued)

The profit from the discontinued operations for the six months ended 30 June 2010 was approximately HK$428,000. A loss of approximately HK$12,149,000 was recorded for the corresponding period in the year 2009.

Overall, the Group recorded profit of approximately HK$11,790,000 for the six months ended 30 June 2010 attributable to owners of the Company, when compared with that profit of approximately HK$941,000 for the corresponding period in the year 2009.

BUSINESS REVIEW AND OUTLOOK

Digital content distribution and exhibitions

As a result of an increase in orders of digital cinema equipment and related services from customers in the United States, the PRC and other Asian countries during this period, segment revenue and segment result from the digital content distribution and exhibitions division reports an approximate 77% and 255% increase to approximately HK$230,733,000 and HK$76,428,000, respectively, for the six months ended 30 June 2010 when comparing with that for the corresponding period in the year 2009. The continuous improvement is mainly due to the success of 3D feature films and the availability of funding for digital cinema deployment drive the brisk demand for installation of digital equipment in cinemas for exhibition of digital content.

Besides, the market boom in the United States market, where the digital cinema equipment is widely accepted by the exhibitors translated into the Group shipping twice as many products in terms of revenue to there than the PRC market during this period. The Group establishes a new office in the East Coast of the United States to deliver better service and customer support to the exhibitors as well as to grow prospective customer base in the region.

Year 2010 marks an important milestone in the era of digital cinema, as a brand new generation of projector, DLP Cinema® Series 2 projector is delivered. In response to the enhancement of projector technology, the Group is the first to offer its “S2 Upgrade” kits to upgrade all its SA2100 digital cinema servers that can connect to the DLP Cinema® Series 2 projector. In March 2010, the Group participated in the ShoWest 2010 and demonstrated its fifth generation SX2000 and SX2001 digital cinema servers. SX2000 incorporates an integrated media block (“IMB”) that integrates with the DLP Cinema® Series 2 projector, the Group is one of the major suppliers in the world that produces IMB for the DLP Cinema® Series 2 projector. During this period, the Group also launches a new feature – “3D Live” option in its digital cinema server for the 3D broadcast without addition decoder box. The customer in South Korea adopts this solution to bring live 3D FIFA World Cup broadcast successfully to its 52 cinemas.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW AND OUTLOOK (Continued)

Digital content distribution and exhibitions (Continued)

With the new generation of servers and other products for theatre management, digital cinema mastering, cinema digital signage and integrated projection system, the Group is capable of offering exhibitors an all-round digital cinema solution and developing products that aim at meeting more than the standard Digital Cinema Initiative ("DCI") specifications, thus differentiating its technology from its competitors. To capture the potential opportunities, the Group will also strengthen its research and development, production facilities, service teams and marketing effort to provide superior digital delivery and display solutions to customers.

Deployment of digital cinema network in Asia

In Asia (other than the PRC), the Group has signed non-exclusive virtual print fee ("VPF") agreements with five out of six major Hollywood studios for digital cinema deployment. These studios are committed to supply Asian exhibitors with feature film content digitally, as well as to provide financial assistance for the hardware cost of DCI compliant digital cinema equipment deployed. The Group has signed agreements with two major exhibitors in Hong Kong to participate in the VPF arrangement and endeavors to enter into similar agreements with exhibitors in other Asian jurisdictions in the coming future.

CG creation and production

Since the second half of the year 2009, the international animation production industry has been under depression with less investment in new projects, which results in a decrease in revenue from CG creation and production division for the six months ended 30 June 2010 by approximately 53% when comparing with that for the corresponding period in the year 2009, and incur a loss for this period. However, the Group currently has three CG production projects from Europe and North America in progress, with several other projects under testing stage, of which productions of two to three projects are likely commenced in the second half of the year 2010.

In view of the growing 3D film market and animation industry in the PRC, the Group plans to promote new 3D animation programmes and invest in its own traditional and CG animation IP assets. During this period, the Group begins production of two 3D animated films, two CG animated and one traditional animated television series. The Group also plans to expand to related businesses in the animation industry in the year 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW AND OUTLOOK (Continued)

CG creation and production (Continued)

In addition to invest in IP assets and undertake international production projects, the Group will work with renowned directors and producers and large international animation content production and distribution companies for co-production projects. At the same time, the Group is actively looking for new customers, and is now discussing with several world-leading entertainment brands for animated television series and films. Many clients express the desire for long-term and multi-project relationships, including both 3D films and CG television series, with the Group based on the Group's demonstrated track record of providing reliable, cost-effective, high-quality CG production services to international markets.

Furthermore, the Group's achievement in CG business is recognised by the PRC government, the Group's subsidiary in Shenzhen is named "Cultural & Technology" demonstrative enterprise and awarded the "Top 100 in the China's Emerging Service Provider" during this period.

CG training

CG training division continues to strive, as a core component of its strategy, towards professionalism and strengthening of its training materials. For the six months ended 30 June 2010, this division records steady growth in revenue of approximately 12% when comparing with that for the corresponding period in the year 2009.

After upgrading the existing training courses with the latest knowledge of CG production, online and other games, the Group organises new professional training programmes in other areas, including after effects, virtual reality and case studies for animation, in response to the market requirements. Besides, the Group continues to co-operate with prominent high schools in the PRC for organising "Skill and Qualification" training programme to their students in achieving "One Course, Several Certificates", and to train up their practical skills to get ready for work immediately after graduation.

In addition to the success of the Group's training centres in Shanghai, Shenzhen, Wuxi, Chongqing and Guangzhou, the Group plans to set up a new training centre in northern China to provide comprehensives coverage in the PRC, with a view to stimulating and promoting its training business to those areas with developed animation industry and expanding further its training network.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW AND OUTLOOK (Continued)

Cultural park

During this period, the Group acquires 68% interest in 廣東時尚置業有限公司 (Guangdong Shishang Zhiye Investment Co., Ltd.) ("Guangdong Shishang"), a limited liability company established in the PRC. Guangdong Shishang has entered into a framework agreement with 珠江電影製片有限公司 (Pearl River Film Production Company Limited) to redevelop 珠影文化產業園 (Pearl River Film Cultural Park). The Group considers that this acquisition enables the Group to participate in the media entertainment and related commercial property development business in the PRC which has shown considerable growth in recent years and expect this stable growth will continue in the coming years as the national economy of the PRC continues to grow. The Group is now preparing the detailed construction plan and budget for the redevelopment.

Finance leasing

In the first half of 2010, credit growth in the PRC has gradually slowed from the recorded high in 2009 to normal level with high liquidity level still being maintained in the banking system. Under this high liquidity market situation, the growth in the finance leasing division has correspondingly slowed. The finance leasing division recorded a drop in the revenue for the six months ended 30 June 2010 by approximately 38% to approximately HK$30,644,000 when compared with that of the corresponding period in the year 2009. At the same time, the finance leasing division carried out a rigorous assessment and review of its credit risk over all its existing and new finance leasing clients. An allowance for doubtful debts amounted to approximately HK$12,304,000 was made towards a particular finance lease receivables. As such, the finance leasing division recorded a reduction in segment result by approximately 89% when compared with that of the corresponding period in 2009. If the effect of doubtful debts allowance is excluded, the finance leasing division recorded a growth in its segment result by approximately 14% when compared with that of the corresponding period in the year 2009. The Group will continue to adopt a prudent credit risk management strategy and will use its best efforts in the recovery of impaired receivables.

The economy of the PRC is expected to continue to bloom although uncertainty in the European Union regarding the debts of peripheral European countries has not yet fully settled is affecting the market sentiment. The Group will also continue to focus on finance leasing for large development projects and explore different financing methods to lower its finance costs.

Property Investment and Management

The property leasing and building management fee income for the six months ended 30 June 2010 decreased by approximately 8%. The resalable value of the Group's investment properties have also been improved during this period due to the buoyant property market. The Group was receiving stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity and Financial Resources

As at 30 June 2010, the Group had bank balances and cash of approximately HK$577.0 million (31 December 2009: HK$372.8 million), restricted bank deposits of approximately HK$10.9 million (31 December 2009: HK$57.0 million) and pledged bank deposits of approximately HK$44.0 million (31 December 2009: HK$2.0 million) which were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. The increase was mainly from net cash inflow from operating activities of approximately HK$304.8 million, net proceeds from disposal of subsidiaries of approximately HK$90.4 million, repayment of convertible loan receivable of approximately HK$110.1 million, refund of restricted bank deposits of approximately HK$46.7 million and repayment of entrusted loan receivables of approximately HK$24.4 million, netting off the purchase of property, plant and equipment of approximately HK$90.1 million, acquisition of a subsidiary of approximately HK$63.1 million and net repayment of borrowings of approximately HK$189.0 million.

As at 30 June 2010, the Group's borrowings amounted to approximately HK$784.6 million, of which approximately HK$333.8 million were repayable within twelve months from 30 June 2010 and approximately HK$450.8 million were repayable after twelve months from 30 June 2010. All loans bore interest at market rates.

As at 30 June 2010, gearing ratio (calculated as borrowings net of bank balances and cash, restricted bank deposits and pledged bank deposits divided by total equity) was approximately 16% (31 December 2009: 59%). As at 30 June 2010, the Group had current ratio of approximately 177% (31 December 2009: 155%) based on current assets of approximately HK$1,152.3 million and current liabilities of approximately HK$649.4 million. The improvement in the Group's leverage was mainly attributable to net cash inflow from operating activities.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK$632.3 million as at 30 June 2010 (31 December 2009: HK$609.0 million). The increase was mainly due to profit for the six months ended 30 June 2010 attributable to owners of the Company of approximately HK$11.8 million and transfer of approximately HK$4.8 million from share options reserve of a subsidiary upon cancellation of those share options during this period.

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than disposal of interest in subsidiaries and acquisition of a subsidiary and dilution of interest in a subsidiary as disclosed in note 7, note 27 and note 29 to the condensed consolidated financial statement, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

CHARGE ON ASSETS

As at 30 June 2010, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$161.2 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$151.1 million.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$501.8 million were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$478.8 million.

(iii) There were new bank deposits of approximately HK$42.1 million restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings without outstanding amount of approximately HK$42.1 million.

(iv) The Group's construction in progress and prepaid lease payments with an aggregate carrying value of approximately HK$171.2 million were pledged to bank to secure for bank borrowing with outstanding amount of approximately HK$112.6 million and undrawn borrowing facilities of approximately HK$59.8 million.

(v) The Group pledged deposits amounted to approximately HK$2.0 million to a bank to secure a construction agreement entered into with independent third parties. The pledged bank deposits will be released upon the settlement of the agreement.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditure denominated in Hong Kong dollars, Renminbi and United States dollars. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2010, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

Saved as disclosed in note 26 about litigations proceeding, the Group had no significant contingent liabilities as at 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

EMPLOYEES

As at 30 June 2010, the Group employed 612 (31 December 2009: 695) 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 employee share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or by special increment.

During the six months ended 30 June 2010, the Company and its subsidiaries has not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2010 (2009: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2010 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2010 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

		Number of shares/underlying shares in the Company			
Name of Director	Capacity in which interests are held	Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 30.06.2010
Chen Zheng	Beneficial owner	–	18,368,000	18,368,000	1.59%
Wang Tian	Beneficial owner	4,000,000	11,094,000	15,094,000	1.31%
Yuan Wenxin	Beneficial owner	4,000,000	15,094,000	19,094,000	1.65%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.39%
Tam King Ching, Kenny	Beneficial owner	–	2,286,000	2,286,000	0.19%
Zhou Jianhong	Beneficial owner	–	2,286,000	2,286,000	0.19%
Yip Kin Man, Raymond	Beneficial owner	–	2,286,000	2,286,000	0.19%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the 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 Options" below.*

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

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

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in GDC: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of GDC as at 30.06.2010
Chen Zheng	Beneficial owner	8,718,200	4,900,000	13,618,200	1.05%
Wang Tian	Beneficial owner	820	–	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	20,008,200	4,900,000	24,908,200	1.92%
Zhou Jianhong	Beneficial owner	500,615	–	500,615	0.03%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC's share option scheme adopted on 18 July 2003 (the "GDC Scheme"). Upon exercise of the share options in accordance with the GDC Scheme, ordinary shares of HK$0.01 each in the share capital of GDC 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 Options" below.*

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

(c) Long positions in the shares and underlying shares of GDC Technology Limited ("GDC Tech"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in GDC Tech: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of GDC Tech as at 30.06.2010
Chen Zheng	Beneficial owner	8,533,334	1,650,000	10,183,334	4.33%
Leung Shun Sang, Tony	Beneficial owner	2,130,000	1,650,000	3,780,000	1.61%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC Tech's share option scheme adopted on 19 September 2006 (the "GDC Tech Scheme"). Upon exercise of the share options in accordance with the GDC Tech Scheme, ordinary shares of HK$0.10 each in the share capital of GDC Tech 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 Options" below.*

Save as disclosed above, as at 30 June 2010, 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.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2010.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2010, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the 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 of the Company

Name of shareholder	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2010	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	430,491,315	37.36%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	430,491,315	37.36%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	133,048,717	11.54%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	91,491,193	7.94%	*2*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

Long positions in the shares of the Company (Continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 18 February 2010 (being the latest disclosure form filed up to 30 June 2010) that as at 12 February 2010, its interests were the shares of the Company held by Wheeling, a wholly-owned subsidiary of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 26 February 2005 (being the latest disclosure form filed up to 30 June 2010) that as at 23 February 2005, its interests included the interest held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 30 June 2010, 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.

SHARE OPTIONS

(a) Share options of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2010. Details of movements in the share options under the Scheme during the period are as follows:

	Options to subscribe for shares of the Company								
Category or name of grantees	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period [1]	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company									
Wang Qinghai	11,368,000	(11,368,000) [2]	–	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
Cao Zhong	11,368,000	(11,368,000) [3]	–	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	11,500,000	(11,500,000) [3]	–	–	–	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	22,868,000	(22,868,000)	–	–	–	–			
Chen Zheng	11,368,000	–	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	7,000,000	–	–	–	–	7,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	18,368,000	–	–	–	–	18,368,000			
Wang Tian	5,094,000	–	–	–	–	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	–	6,000,000	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	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	15,094,000	–	–	–	–	15,094,000			

SHARE OPTIONS (Continued)

(a) Share options of the Company (Continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period [1]	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company (Continued)									
Leung Shun Sang, Tony	75	–	–	–	–	75	23.08.2002	23.08.2002 – 06.06.2012	HK$0.730
	604	–	–	–	–	604	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	11,368,000	–	–	–	–	11,368,000	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
	19,368,679	–	–	–	–	19,368,679			
Tam King Ching, Kenny	1,136,000	–	–	–	–	1,136,000	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	–	–	–	–	2,286,000			
Zhou Jianhong	1,136,000	–	–	–	–	1,136,000	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	–	–	–	–	2,286,000			
Yip Kin Man, Raymond	1,136,000	–	–	–	–	1,136,000	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	–	–	–	–	2,286,000			
	105,018,679	(34,236,000)	–	–	–	70,782,679			

SHARE OPTIONS (Continued)

(a) Share options of the Company (Continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period [1]	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Employees of the Group	1,330,000	–	–	–	–	1,330,000	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	5,900,000	–	–	(800,000)	–	5,100,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	7,230,000	–	–	(800,000)	–	6,430,000			
Other participants	800,000	–	22,736,000 [2,3]	–	(800,000) [4]	22,736,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	–	–	11,500,000 [3]	–	–	11,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	800,000	–	34,236,000	–	(800,000)	34,236,000			
	113,048,679	(34,236,000)	34,236,000	(800,000)	(800,000)	111,448,679			

Notes:

1. *The weighted average closing price of the shares of the Company immediately before the date on which the share options were exercised was approximately HK$0.49 per share.*

2. *Mr. Wang Qinghai resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise period for his share options up to 18 January 2017. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.*

3. *Mr. Cao Zhong resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise periods for his share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.*

4. *The share options were held by a grantee who ceased to be an employee of the Group on 1 December 2009 and such share options lapsed on 1 January 2010 according to the terms of the Scheme.*

SHARE OPTIONS (Continued)

(b) Share options of a subsidiary of the Company – GDC

On 18 July 2003, the GDC Scheme which complies with the requirements of Chapter 23 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange was adopted by the shareholders of GDC. No share option was granted, exercised or cancelled in accordance with the terms of the GDC Scheme during the six months ended 30 June 2010. Details of movements in the share options under the GDC Scheme during the period are as follows:

	Options to subscribe for shares of GDC							
Category or name of grantees	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Cao Zhong	4,900,000	(4,900,000) [1]	–	–	–	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Chen Zheng	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
Leung Shun Sang, Tony	4,900,000	–	–	–	4,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	14,700,000	(4,900,000)	–	–	9,800,000			
Employees of the Group	2,300,000	(100,000) [2]	–	(2,200,000) [3]	–	22.03.2007	22.03.2007 – 21.03.2010	HK$1.07
	2,703,000	(200,000) [2]	–	(2,503,000) [3]	–	04.04.2007	04.04.2007 – 03.04.2010	HK$1.52
	9,900,000	–	–	–	9,900,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	14,903,000	(300,000)	–	(4,703,000)	9,900,000			
Other participants	–	–	100,000 [2]	(100,000) [2]	–	22.03.2007	22.03.2007 – 21.03.2010	HK$1.07
	1,340,000	–	200,000 [2]	(1,540,000) [4]	–	04.04.2007	04.04.2007 – 03.04.2010	HK$1.52
	980,000	–	4,900,000 [1]	–	5,880,000	30.10.2007	30.10.2007 – 29.10.2012	HK$2.75
	2,320,000	–	5,200,000	(1,640,000)	5,880,000			
	31,923,000	(5,200,000)	5,200,000	(6,343,000)	25,580,000			

SHARE OPTIONS (Continued)

(b) Share options of a subsidiary of the Company – GDC (Continued)

Notes:

1. *Mr. Cao Zhong resigned as a Director of the Company on 10 May 2010. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.*

2. *The share options were held by certain grantees who ceased to be employees of the Group and such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the period. Such share options lapsed on the expiry of the three months period following the date of cessation as employees of the Group.*

3. *Such share options lapsed upon the expiry of the respective option periods.*

4. *A total of 820,000 share options lapsed on the expiry of the three months period following the date of cessation as employees of the Group of certain grantees; and the remaining balance of 720,000 share options lapsed upon the expiry of the option period.*

SHARE OPTIONS (Continued)

(c) Share options of a subsidiary of the Company – GDC Tech

On 19 September 2006, the GDC Tech Scheme was adopted by the shareholders of GDC and the Company. No share option was granted, cancelled or lapsed in accordance with the terms of the GDC Tech Scheme during the six months ended 30 June 2010. Details of movements in the share options under the GDC Tech Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of GDC Tech					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Exercised during the period	At the end of the period			
Directors of the Company								
Cao Zhong	1,650,000	(1,650,000) [1]	–	–	–	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Chen Zheng	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Leung Shun Sang, Tony	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
	4,950,000	(1,650,000)	–	–	3,300,000			
Employees of the Group	1,650,000	–	–	–	1,650,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
Other participants	330,000	–	1,650,000 [1]	(1,650,000)	330,000	02.11.2007	02.11.2007 – 01.11.2012	HK$2.00
	6,930,000	(1,650,000)	1,650,000	(1,650,000)	5,280,000			

Note:

1. *Mr. Cao Zhong resigned as a Director of the Company on 10 May 2010. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the period.*

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2010 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 18 August 2010 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2010, except for the following deviation:

- Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  In order to comply with the applicable laws of Bermuda, the Chairman and the Managing Director are not subject to retirement by rotation under the bye-laws of the Company. 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 Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 six months ended 30 June 2010.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of a Director since the date of the 2009 Annual Report of the Company, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. Tam King Ching, Kenny, an Independent Non-executive Director of the Company, was appointed on 29 July 2010 as an independent non-executive director of West China Cement Limited, a company formerly listed on the Alternative Investment Market of the London Stock Exchange plc. West China Cement Limited commenced listing on the main board of the Stock Exchange on 23 August 2010 and was delisted from the Alternative Investment Market of the London Stock Exchange plc on the same date.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

Under the facility agreement dated 28 August 2008 (the "Facility Agreement") entered into between China Construction Bank (Asia) Corporation Limited (the "Bank") as lender, SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of the Company, as borrower, Shougang Holding and the Company as guarantors in relation to a revolving loan facility of up to HK$92,000,000 (the "Facility") made available by the Bank to SCG Finance, each of the following will constitute a covenant and non-compliance with any covenant will constitute an event of default upon which the Facility will, among others, become immediately due and payable: (i) Shougang Holding shall directly or indirectly own 35% or more of all the issued share capital of the Company; (ii) the consolidated tangible net worth of Shougang Holding shall not be less than HK$2 billion; (iii) the total liabilities of Shougang Holding shall not exceed 200% of its consolidated tangible net worth; and (iv) the consolidated EBITDA (including share of results of associates) of Shougang Holding shall not be less than 3 times interest expenses. The final maturity date of the Facility falls on the date being 24 months after the date of the Facility Agreement.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 26 August 2010