



**SHOUGANG CONCORD GRAND  
(GROUP) LIMITED**

Stock Code : 730

**INTERIM REPORT 2012**

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## CORPORATE INFORMATION

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<b>Board of Directors</b>	Li Shaofeng ( <i>Chairman</i> ) Luo Zhenyu ( <i>Managing Director</i> ) Wang Tian ( <i>Deputy Managing Director</i> ) Yuan Wenxin ( <i>Deputy Managing Director</i> ) Leung Shun Sang, Tony ( <i>Non-executive Director</i> ) Tam King Ching, Kenny ( <i>Independent Non-executive Director</i> ) Zhou Jianhong ( <i>Independent Non-executive Director</i> ) Yip Kin Man, Raymond ( <i>Independent Non-executive Director</i> )
<b>Executive Committee</b>	Li Shaofeng ( <i>Chairman</i> ) Luo Zhenyu Wang Tian Yuan Wenxin
<b>Audit Committee</b>	Tam King Ching, Kenny ( <i>Chairman</i> ) Zhou Jianhong Yip Kin Man, Raymond
<b>Nomination Committee</b>	Li Shaofeng ( <i>Chairman</i> ) Leung Shun Sang, Tony Tam King Ching, Kenny Zhou Jianhong Yip Kin Man, Raymond
<b>Remuneration Committee</b>	Tam King Ching, Kenny ( <i>Chairman</i> ) Li Shaofeng Leung Shun Sang, Tony Zhou Jianhong Yip Kin Man, Raymond

**CORPORATE INFORMATION (Continued)**

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<b>Company Secretary</b>	Cheng Man Ching
<b>Auditor</b>	Deloitte Touche Tohmatsu
<b>Principal Registrars</b>	HSBC Securities Services (Bermuda) Limited 6 Front Street Hamilton HM 11 Bermuda
<b>Hong Kong Branch Share Registrars and Transfer Office</b>	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Registered Office</b>	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
<b>Principal Office in Hong Kong</b>	Rooms 1101-04, 11th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
<b>Stock Code</b>	730
<b>Website</b>	<a href="http://www.shougang-grand.com.hk">www.shougang-grand.com.hk</a>

## 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 2012. 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 2012

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
Revenue	3	<b>29,838</b>	29,716
Cost of sales		<b>(18,959)</b>	(19,035)
Gross profit		<b>10,879</b>	10,681
Interest income from entrusted loan receivables		–	12
Other income	4	<b>4,527</b>	1,552
Distribution costs and selling expenses		<b>(416)</b>	(1,185)
Administrative expenses		<b>(15,032)</b>	(17,925)
Impairment loss on finance lease receivables	15	–	(6,345)
Increase in fair value of investment properties		<b>5,700</b>	39,655
Changes in fair value of held-for-trading investments		<b>411</b>	(6,213)
Finance costs	5	<b>(355)</b>	(1,102)
Share of results of an associate		<b>(3,686)</b>	10,420
Gain on disposal of partial interests in an associate	6	–	15,417
Profit before tax		<b>2,028</b>	44,967
Income tax credit (expense)	7	<b>139</b>	(351)
Profit for the period	8	<b>2,167</b>	44,616

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(Continued)**

For the six months ended 30 June 2012

		<b>Six months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2012</b>	2011
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	(unaudited)
			(restated)
Other comprehensive (expense) income:			
Exchange differences on translation		<b>(2,886)</b>	(2)
Share of translation difference of an associate		<b>(3,239)</b>	4,174
		<b>(6,125)</b>	4,172
<b>Total comprehensive (expense) income for the period</b>		<b>(3,958)</b>	48,788
Profit for the period attributable to:			
Owners of the Company		<b>2,146</b>	44,629
Non-controlling interests		<b>21</b>	(13)
		<b>2,167</b>	44,616
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(3,969)</b>	48,801
Non-controlling interests		<b>11</b>	(13)
		<b>(3,958)</b>	48,788
Earnings per share	<i>10</i>		
Basic (HK cents)		<b>0.19</b>	3.87
Diluted (HK cents)		<b>0.19</b>	3.86

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2012

	<i>Notes</i>	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited) (restated)
<b>Non-current assets</b>			
Property, plant and equipment	11	30,682	31,677
Investment properties	12	80,500	74,800
Goodwill	13	52,935	52,935
Interests in associates	14	272,465	279,390
Finance lease receivables	15	209,316	297,505
Restricted bank deposits	22 (iii)	16,329	25,926
Available-for-sale investments		5,122	5,185
Deferred tax assets		1,163	855
		<b>668,512</b>	<b>768,273</b>
<b>Current assets</b>			
Inventories		2,820	2,483
Amount due from an associate		388	388
Finance lease receivables	15	249,616	311,149
Loan to an associate		8,563	9,772
Trade receivables	16	71	128
Prepayments, deposits and other receivables		6,292	5,723
Held-for-trading investments		37,095	36,888
Structured deposits	17	24,390	13,580
Bank balances and cash		300,002	291,868
		<b>629,237</b>	<b>671,979</b>
Assets classified as held for sale	18	–	132,000
		<b>629,237</b>	<b>803,979</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(Continued)**

At 30 June 2012

	<i>Notes</i>	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited) (restated)
<b>Current liabilities</b>			
Other payables and accruals		7,636	17,452
Income received in advance		4,497	5,947
Rental and management fee in advance and other deposits received		639	14,274
Tax liabilities		12,002	12,056
Secured bank borrowings – due within one year	19	243,881	414,350
		<b>268,655</b>	464,079
<b>Net current assets</b>		<b>360,582</b>	339,900
<b>Total assets less current liabilities</b>		<b>1,029,094</b>	1,108,173
<b>Capital and reserves</b>			
Share capital	20	11,522	11,522
Retained earnings		639,452	637,306
Other reserves		181,527	187,642
Equity attributable to owners of the Company		832,501	836,470
Non-controlling interests		739	728
<b>Total equity</b>		<b>833,240</b>	837,198
<b>Non-current liabilities</b>			
Income received in advance		2,864	4,147
Secured bank borrowings – due after one year	19	173,819	248,322
Security deposits received	21	19,171	18,506
		<b>195,854</b>	270,975
<b>Total equity and liabilities</b>		<b>1,029,094</b>	1,108,173



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2012

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus reserve	Translation reserve	Share options reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011 (audited)	11,522	1,007	115,576	25,763	29,088	520,794	703,750	661	704,411
Adjustments (Note 2)	-	-	-	-	-	2,950	2,950	-	2,950
At 1 January 2011 (restated)	11,522	1,007	115,576	25,763	29,088	523,744	706,700	661	707,361
Exchange differences on translation	-	-	-	(2)	-	-	(2)	-	(2)
Share of translation difference of an associate	-	-	-	4,174	-	-	4,174	-	4,174
Profit for the period (restated)	-	-	-	-	-	44,629	44,629	(13)	44,616
Total comprehensive income (expense) for the period (restated)	-	-	-	4,172	-	44,629	48,801	(13)	48,788
At 30 June 2011 (unaudited and restated)	11,522	1,007	115,576	29,935	29,088	568,373	755,501	648	756,149
At 1 January 2012 (audited)	11,522	1,007	115,576	42,555	28,504	634,759	833,923	728	834,651
Adjustments (Note 2)	-	-	-	-	-	2,547	2,547	-	2,547
At 1 January 2012 (restated)	11,522	1,007	115,576	42,555	28,504	637,306	836,470	728	837,198
Exchange differences on translation	-	-	-	(2,876)	-	-	(2,876)	(10)	(2,886)
Share of translation difference of an associate	-	-	-	(3,239)	-	-	(3,239)	-	(3,239)
Profit for the period	-	-	-	-	-	2,146	2,146	21	2,167
Total comprehensive (expense) income for the period	-	-	-	(6,115)	-	2,146	(3,969)	11	(3,958)
At 30 June 2012 (unaudited)	11,522	1,007	115,576	36,440	28,504	639,452	832,501	739	833,240

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	<b>13,259</b>	11,119
Decrease (increase) in finance lease receivables	<b>142,300</b>	(37,464)
Increase in prepayments, deposits and other receivables	<b>(591)</b>	(36,466)
Decrease in other payables and accruals	<b>(9,723)</b>	(1,003)
Interest paid	<b>(17,469)</b>	(20,043)
Others	<b>(542)</b>	(3,698)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>127,234</b>	(87,555)
<b>INVESTING ACTIVITIES</b>		
Placement of restricted bank deposits	<b>(475)</b>	(24,706)
Withdrawal of restricted bank deposits	<b>9,756</b>	31
Repayment of entrusted loan receivables	<b>–</b>	235
Interest received	<b>3,157</b>	1,296
Interest received from entrusted loan receivables	<b>–</b>	12
Purchase of property, plant and equipment	<b>(52)</b>	(60)
Proceeds from disposal of assets classified as held for sale	<b>118,312</b>	48,845
Purchase of structured deposits	<b>(24,390)</b>	–
Proceeds from redemption of structured deposits	<b>13,414</b>	–
Proceeds from disposal of partial interests in an associate	<b>–</b>	24,002
Repayment from an associate	<b>1,209</b>	–
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>120,931</b>	49,655
<b>FINANCING ACTIVITIES</b>		
Repayment of bank loans	<b>(242,968)</b>	(122,258)
New bank loans raised	<b>4,568</b>	258,824
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(238,400)</b>	136,566
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>9,765</b>	98,666
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>291,868</b>	308,337
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(1,631)</b>	(2)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>300,002</b>	407,001

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2012*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 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. Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### **Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets**

Under the amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group’s investment property portfolios and concluded that the Group’s investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*For the six months ended 30 June 2012*

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets (Continued)**

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties (which are all located in Hong Kong) as the Group is not subject to any income tax on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK\$1,692,000 and deferred tax assets being increased by HK\$855,000 as at 31 December 2011 with the corresponding adjustment being recognised in retained earnings. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 June 2012 and 30 June 2011 being decreased by HK\$101,000 and increased by HK\$325,000 respectively and hence resulted in the profit for the six months ended 30 June 2012 and 30 June 2011 being increased by HK\$101,000 and decreased by HK\$325,000 respectively.

**Summary of the effect of the above change in accounting policy**

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited)
Decrease (increase) in income tax expense and increase (decrease) in profit for the period	<b>101</b>	(325)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Summary of the effect of the above change in accounting policy (Continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follows:

	As at 31 December 2011 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31 December 2011 (restated) HK\$'000
Deferred tax assets	–	855	855
Deferred tax liabilities	(1,692)	1,692	–
Total effects on net assets	<u>(1,692)</u>	<u>2,547</u>	<u>855</u>
Retained profits, total effects on equity	<u>634,759</u>	<u>2,547</u>	<u>637,306</u>

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1 January 2011 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1 January 2011 (restated) HK\$'000
Deferred tax assets	–	968	968
Deferred tax liabilities	(1,982)	1,982	–
Total effects on net assets	<u>(1,982)</u>	<u>2,950</u>	<u>968</u>
Retained profits, total effects on equity	<u>520,794</u>	<u>2,950</u>	<u>523,744</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

2. **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Summary of the effect of the above change in accounting policy (Continued)

Impact on basic earnings per share

	<b>Six months ended 30 June</b>	
	<b>2012 HK cents (unaudited)</b>	2011 HK cents (unaudited)
Basic earnings per share before adjustments	<b>0.18</b>	3.90
Adjustments arising from change in accounting policy in relation to:		
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<b>0.01</b>	(0.03)
Reported basic earnings per share	<b>0.19</b>	3.87

Impact on diluted earnings per share

	<b>Six months ended 30 June</b>	
	<b>2012 HK cents (unaudited)</b>	2011 HK cents (unaudited)
Diluted earnings per share before adjustments	<b>0.18</b>	3.89
Adjustments arising from change in accounting policy in relation to:		
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	<b>0.01</b>	(0.03)
Reported diluted earnings per share	<b>0.19</b>	3.86

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

*For the six months ended 30 June 2012*

**3. SEGMENT INFORMATION**

For management purposes, the Group is currently organised into three operating divisions – property leasing and building management services, 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.

The following is an analysis of the Group's revenues and results by reportable and operating segments for the period under review:

**Six months ended 30 June 2012 (unaudited)**

	<b>Property leasing and building management services</b>	<b>Finance leasing</b>	<b>Assets management</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	<u>1,998</u>	<u>24,729</u>	<u>3,111</u>	<u>29,838</u>
Segment result	<u>7,339</u>	<u>5,250</u>	<u>457</u>	<u>13,046</u>
Other income				2,988
Central administration costs				(10,376)
Changes in fair value of held-for-trading investments				411
Finance costs				(355)
Share of results of an associate				(3,686)
Profit before tax				<u>2,028</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

3. **SEGMENT INFORMATION (Continued)**

Six months ended 30 June 2011 (unaudited)

	Property leasing and building management services <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	3,505	26,063	148	29,716
Segment result	42,797	(3,753)	(615)	38,429
Other income				987
Central administration costs				(12,971)
Changes in fair value of held-for-trading investments				(6,213)
Finance costs				(1,102)
Share of results of an associate				10,420
Gain on disposal of partial interests in an associate				15,417
Profit before tax				44,967

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 other income, central administration costs, changes in fair value of held-for-trading investments, finance costs, share of results of an associate and gain on disposal of partial interests in 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 2012

3. **SEGMENT INFORMATION (Continued)**

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

	<b>As at 30 June 2012 HK\$'000 (unaudited)</b>	As at 31 December 2011 HK\$'000 (audited) (restated)
<b>Segment assets</b>		
Property leasing and building management services	<b>86,800</b>	212,667
Finance leasing	<b>746,781</b>	890,104
Assets management	<b>14,343</b>	35,417
Total segment assets	<b>847,924</b>	1,138,188
Interests in associates	<b>272,465</b>	279,390
Loan to an associate	<b>8,563</b>	9,772
Held-for-trading investments	<b>37,095</b>	36,888
Structured deposits	<b>24,390</b>	13,580
Unallocated corporate assets	<b>107,312</b>	94,434
Consolidated assets	<b>1,297,749</b>	1,572,252
<b>Segment liabilities</b>		
Property leasing and building management services	<b>784</b>	17,618
Finance leasing	<b>415,108</b>	573,805
Assets management	<b>1,146</b>	1,624
Total segment liabilities	<b>417,038</b>	593,047
Tax liabilities	<b>12,002</b>	12,056
Unallocated secured bank borrowings	<b>30,514</b>	123,757
Unallocated corporate liabilities	<b>4,955</b>	6,194
Consolidated liabilities	<b>464,509</b>	735,054

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 3. SEGMENT INFORMATION (Continued)

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

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

### 4. OTHER INCOME

Other income for the six months ended 30 June 2012 primarily comprises interest income on bank deposits and structured deposits of approximately HK\$3,157,000 (Six months ended 30 June 2011: HK\$1,296,000).

### 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings wholly repayable within five years	<b>355</b>	1,102

### 6. GAIN ON DISPOSAL OF PARTIAL INTERESTS IN AN ASSOCIATE

During the six months ended 30 June 2011, the Group had disposed certain of its Global Digital Creation Holdings Limited ("GDC") shares in the open market at total cash consideration of approximately HK\$24,002,000, resulting in a gain on disposal of partial interests in GDC of approximately HK\$15,417,000. The gain on disposal of partial interests in GDC is calculated based on the sales proceeds minus the carrying value attributable to the disposed interests in GDC, release of proportionate share of exchange difference recognised in other comprehensive income upon disposal and transaction costs incurred.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

**7. INCOME TAX (CREDIT) EXPENSE**

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited) (restated)
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	<b>79</b>	–
Hong Kong	<b>90</b>	98
	<b>169</b>	98
Deferred taxation:		
Current period	<b>(308)</b>	253
	<b>(139)</b>	351

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

Under the Law of The People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of certain subsidiaries of the Group operating in the PRC was either reduced from 33% to 25% or was increased from 15% to 25% progressively from 1 January 2008 onwards. For the six months ended 30 June 2012, the relevant tax rate for the Group's subsidiaries in the PRC was 25% (Six month ended 30 June 2011: 24% to 25%).

**8. PROFIT FOR THE PERIOD**

Profit for the period has been arrived after charging:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Depreciation of property, plant and equipment	<b>676</b>	601

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

9. **DIVIDEND**

No dividends were paid or declared during the interim period.

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

10. **EARNINGS PER SHARE**

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

	<b>Six months ended 30 June</b>	
	<b>2012 HK\$'000 (unaudited)</b>	2011 HK\$'000 (unaudited) (restated)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<b>2,146</b>	44,629
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,152,192</b>	1,152,192
Effect of dilutive potential ordinary shares:		
Share options (Note)	–	4,360
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,152,192</b>	1,156,552

Note: The computation of diluted earnings per share for the six months ended 30 June 2012 does not assume exercise of 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 of the shares of the Company for the period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of approximately HK\$52,000 (Six months ended 30 June 2011: HK\$60,000).

### 12. INVESTMENT PROPERTIES

	<b>30 June 2012</b> <i>HK\$'000</i> <b>(unaudited)</b>	31 December 2011 <i>HK\$'000</i> (audited)
Investment properties located in Hong Kong, at fair value	<b>80,500</b>	74,800

The fair value of the Group's investment properties located in Hong Kong at 30 June 2012 and 31 December 2011 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 and in similar locations and conditions and where appropriate by capitalisation of rental income from properties. The resulting increase in fair value of investment properties of approximately HK\$5,700,000 (Six months ended 30 June 2011: HK\$39,655,000) has been credited to profit or loss for the period.

### 13. GOODWILL

There were no movements in goodwill in the current interim period.

Goodwill has been allocated to the cash generating unit ("CGU") represented by finance leasing division. During the six months ended 30 June 2012, the Directors determine that there is no impairment of the CGU represented by finance leasing division.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

14. INTERESTS IN ASSOCIATES

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Cost of investments in associates		
Listed in Hong Kong	<b>186,613</b>	186,613
Unlisted	<b>1</b>	1
Share of post-acquisition results	<b>146,447</b>	150,133
Share of post-acquisition exchange reserve	<b>6,398</b>	9,637
	<b>339,459</b>	346,384
Impairment loss	<b>(66,994)</b>	(66,994)
	<b>272,465</b>	279,390
Fair value of listed investments in Hong Kong	<b>142,409</b>	154,792
Carrying amount of interests in an associate listed in Hong Kong	<b>272,464</b>	279,389

As at 30 June 2012 and 31 December 2011, the Group held 40.78% of nominal value of issued share capital of GDC, a company listed on The Stock Exchange of Hong Kong Limited.

The carrying amount of interests in GDC has been tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset. As at 30 June 2012, no further impairment loss (31 December 2011: HK\$66,994,000) has been recognised in relation to the interests in GDC.

The recoverable amount of the interests in GDC as at 30 June 2012 has been determined on the basis of value in use calculations using cash flow projections based on financial budgets approved by the management covering a 5-year period and a discount rate of 11% (31 December 2011: 11%) and a 4% (31 December 2011: 4%) growth rate after the 5-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management expectations for the market development.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

15. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	281,694	354,865	249,616	311,149
In more than one year but not more than two years	119,481	176,684	106,981	157,857
In more than two years but not more than three years	69,414	77,679	62,974	68,446
In more than three years but not more than four years	40,829	63,785	39,361	60,091
In more than four years but not more than five years	-	11,432	-	11,111
	<b>511,418</b> <b>(52,486)</b>	684,445 (75,791)	<b>458,932</b> <b>N/A</b>	608,654 N/A
Present value of minimum lease receipts	<b>458,932</b>	608,654	<b>458,932</b>	608,654
Analysed as:				
Current finance lease receivables (receivable within 12 months)			249,616	311,149
Non-current finance lease receivables (receivable after 12 months)			209,316	297,505
			<b>458,932</b>	608,654

Effective interest rates of the above finance lease receivables range from approximately 6% to 15% (31 December 2011: 6% to 15%) per annum.

During the six months ended 30 June 2012, the Directors reviewed the credit quality of the finance lease receivables according to their past repayment history. No impairment loss (Six months ended 30 June 2011: HK\$6,345,000) has been recognised for the six months ended 30 June 2012.

For finance lease receivables which are neither past due nor impaired, the Directors assessed that the balances are with good credit quality according to their past repayment history.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

**16. TRADE RECEIVABLES**

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Rental receivables – within three months	<b>71</b>	128

The Group allows a credit period of 90 days to its tenants. None of the trade receivables are past due as at the end of the period.

**17. STRUCTURED DEPOSITS**

On 30 June 2012, the structured deposits comprise principal-protected deposits denominated in Renminbi issued by banks in the PRC carrying interest at expected interest rate of 2.6% to 3% (31 December 2011: comprising principal-protected deposits and other deposits carrying expected interest rate of 5.25% to 6%) per annum, depending on the market price of the underlying financial products invested by the banks. The structured deposits are payable on maturity ranging from 30 to 40 days (31 December 2011: 30 to 45 days). The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty bank would pay to redeem, approximate their carrying values at the end of each reporting period.

No change in fair value up to the date of redemption has been recognised for the six months ended 30 June 2012 and 2011 as the effect is not significant.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 18. ASSETS CLASSIFIED AS HELD FOR SALE

	<b>30 June 2012 HK\$'000 (unaudited)</b>	31 December 2011 HK\$'000 (audited)
Investment properties	—	132,000

On 27 May 2011, a subsidiary of the Company entered into a provisional agreement with an independent purchaser pursuant to which the subsidiary agreed to sell its entire ownership interests in the properties to the purchaser for a cash consideration of HK\$132,000,000 (the "Property Disposal") and the direct transaction cost associated with the Property Disposal amounted to approximately HK\$1,419,000. The properties comprised units A and B on all of the 3rd, 6th and 9th floors and all the car parking spaces on the 4th floor of Tin Fung Industrial Mansion, 63 Wong Chuk Hang Road, Aberdeen, Hong Kong. The Property Disposal was completed on 1 February 2012. Details of the Property Disposal are set out in the announcement of the Company dated 27 May 2011 and the circular of the Company dated 17 June 2011.

### 19. SECURED BANK BORROWINGS

During the six months ended 30 June 2012, the Group obtained new bank loans amounted to approximately HK\$4,568,000 (Six months ended 30 June 2011: HK\$258,824,000). The proceeds were wholly used for finance lease operations. The loans were secured by the Group's certain finance lease receivables (Note 15) and carried interest at variable rate of the People's Bank of China plus a percentage up to 10% and are repayable in instalments over a period of up to 5 years. During the six months ended 30 June 2012, the Group repaid bank loans amounted to approximately HK\$242,968,000 (Six months ended 30 June 2011: HK\$122,258,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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*For the six months ended 30 June 2012*

### 20. SHARE CAPITAL

Issued share capital as at 30 June 2012 amounted to HK\$11,522,000. There were no movements in the issued share capital of the Company in the current interim period.

### 21. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK\$19,171,000 (31 December 2011: HK\$18,506,000) have been received by the Group to secure the finance lease receivables. Security deposits received have been classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements.

### 22. CHARGE ON ASSETS

As at 30 June 2012, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$80,500,000 (31 December 2011: HK\$74,800,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$30,514,000 (31 December 2011: HK\$31,757,000).

As at 31 December 2011, the Group's assets classified as held for sale with an aggregate carrying value of approximately HK\$132,000,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK\$92,000,000.

- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$388,383,000 (31 December 2011: HK\$536,731,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$387,186,000 (31 December 2011: HK\$538,915,000).
- (iii) There were bank deposits of approximately HK\$16,329,000 (31 December 2011: HK\$25,926,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK\$100,413,000 (31 December 2011: HK\$139,165,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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*For the six months ended 30 June 2012*

### 23. LITIGATION

GDC (an associate of the Company) received an original complaint in April 2010, a first amended complaint in July 2010 and a second amended complaint in March 2011 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 (the "Court") by X6D Limited, X6D USA Inc. and XpanD, Inc. (collectively, the "X6D") against, among others, GDC and its former subsidiaries namely GDC Technology Limited, 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 GDC and its subsidiaries (the "GDC Group").

The GDC Group filed its answer and counterclaims in November 2010 and amended answers and counterclaims in January 2011 and April 2011 denying X6D's allegations, asserting various affirmative defenses and asserting eight counterclaims against X6D generally that, among others, X6D did not own any valid intellectual property rights that cover the Defendants' 3D glasses and X6D wrongfully and intentionally interfered with the Defendants' prospective business relations with their potential customers. In January 2011 and May 2011, X6D filed its answers to the counterclaims denying the Defendants' allegations and asserting various affirmative defenses.

In May 2011, X6D filed with the United States Patent & Trademark Office re-issue request for all three of its design patents. In June 2011, the Defendants filed a motion to stay the litigation on the ground that the patent claims were in flux due to the re-issue applications, and that the same facts applied to the validity of all of X6D's intellectual property and trade secrets claims, and all claims involved common products. X6D filed its opposition to the motion in July 2011. The Court issued its order granting the stay as to the patent claims but denying the motion as to all non-patent claims in August 2011.

During the mediation on 9 March 2012, X6D and the GDC Group reached an agreement to settle the dispute out of the Court. The settlement agreement was finalised and signed on 13 June 2012, and all claims pending between X6D and the GDC Group were resolved.

Based on the terms of the settlement agreement, no provision for any potential liability is required to be made by the GDC Group in their condensed consolidated financial statements.

On 5 July 2012, the Court granted an order to dismiss the Defendants' claim against X6D in their entirety.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

For the six months ended 30 June 2012

**24. RELATED PARTY TRANSACTIONS**

Apart from the balances due from associates disclosed in the condensed consolidated statement of financial position on pages 6 and 7, the Group also entered into other transactions with related parties during the period as disclosed below.

The Group is an associate of Shougang Holding (Hong Kong) Limited ("Shougang Holding") which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Group is significantly influenced by Shougang Corporation and its subsidiaries (collectively referred as "Shougang Group"). Shougang Group is part of a larger group of companies controlled under the PRC government. The transactions and balances with Shougang Group and other PRC government-related entities are disclosed below:

**(a) Transactions with Shougang Group**

	Rental income <i>(Note a)</i>		Consultancy fee expense <i>(Note b)</i>		Management fee expense <i>(Note b)</i>	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012 HK\$'000 <i>(Unaudited)</i>	2011 HK\$'000 <i>(Unaudited)</i>	2012 HK\$'000 <i>(Unaudited)</i>	2011 HK\$'000 <i>(Unaudited)</i>	2012 HK\$'000 <i>(Unaudited)</i>	2011 HK\$'000 <i>(Unaudited)</i>
Shougang Holding	-	-	480	480	-	-
An associate of Shougang Holding	-	-	-	-	420	420
Mr. Li Shaofeng, the Chairman of the Group	71	71	-	-	-	-

Notes:

- (a) The transactions were carried out in accordance with the relevant lease agreements.
- (b) The transactions were carried out in accordance with the relevant agreements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the six months ended 30 June 2012

### 24. RELATED PARTY TRANSACTIONS (Continued)

#### (a) Transactions with Shougang Group (Continued)

At 30 June 2012, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2011: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century"), and 230,000 shares (31 December 2011: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

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

Apart from the transactions and balances with the Shougang Group as disclosed in Note 24(a), the Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities in its ordinary course of business. As of 30 June 2012, 100%, 99% and 93% (31 December 2011: 100%, 99% and 95%) of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions respectively.

#### (c) The remuneration of the Directors and other key management personnel during the six months ended 30 June 2012 is as follows:

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Short-term benefits	3,875	4,595
Post-employment benefits	171	207
	<b>4,046</b>	<b>4,802</b>

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS

# 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 condensed consolidated financial statements of Shougang Concord Grand (Group) Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 28, which comprises the condensed consolidated statement of financial position as of 30 June 2012 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
28 August 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

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### OVERALL PERFORMANCE

Suffering from the depression associated with the Euro Zone debt crisis, the global economic environment remains volatile and weighed down the growth momentum in 2012. With the effect of the depressed macroeconomic environment, the Group recorded a decline for its results for the half year of 2012. The Group's profit attributable to owners of the Company for the six months ended 30 June 2012 was approximately HK\$2,146,000 representing a decrease of approximately 95%, when compared with that profit of approximately HK\$44,629,000 for the corresponding period in the year 2011. The decrease was mainly attributable to the share of results of a principle associate turning from profits to loss and the decline in the fair value gain of investment properties of the Group. Moreover, the decline was further enlarged as the Group recorded an one-off profit on the disposal of partial interests in a principal associate for the six months ended 30 June 2011 whereas no such profit was recorded for the corresponding period this year.

The revenue of the Group for the six months ended 30 June 2012 was approximately HK\$29,838,000, which was at a similar level with the revenue of approximately HK\$29,716,000 for the corresponding period in 2011. The Group recorded a gross profit of approximately HK\$10,879,000 for the six months ended 30 June 2012, representing a gross profit margin of approximately 36%, and was at a similar level with the gross profit margin of approximately 36% for the corresponding period in 2011. Basic earnings per share for the six months ended 30 June 2012 was HK0.19 cents (Six months ended 30 June 2011: HK3.87 cents).

The Group continuously adjusts the resources allocation to its existing core business and for exploring new business opportunity. During the period under review, every core business of the Group achieves stable growth, by tapping into new income sources and economizing on expenses evidenced by the increase in revenue from principle operations and treasury income (mainly interest income) together with the saving in operational expenses.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### BUSINESS REVIEW AND OUTLOOK

#### *Property Investment and Management*

During the period under review, revenue from the property investment and building management services segment decreased by 43% to approximately HK\$1,998,000 (Six months ended 30 June 2011: HK\$3,505,000), while the segment result recorded a profit of approximately HK\$7,339,000 (Six months ended 30 June 2011: profit of HK\$42,797,000). The decrease in revenue from the property investment and building management services segment was mainly attributable to the disposal of certain investment properties to capture the strong uptrend and market opportunities in Hong Kong which decreased the rental income. The significant decline in the fair value gain of investment properties resulting from the combined effect of the Hong Kong property market having reached a relatively high level with little fair value adjustment, and the decrease in the quantity of investment properties held. The Group recorded an increase in fair value of investment properties of approximately HK\$5,700,000 (Six months ended 30 June 2011: fair value increase of HK\$39,655,000).

Capturing market opportunities, the Group disposed of certain investment properties to adjust the combination and quality of the investment properties portfolio of the Group. The Group will continue monitor market changes and seek for investment opportunities.

#### *Finance leasing*

During the period under review, revenue from the finance leasing segment decreased by 5% to approximately HK\$24,729,000 (Six months ended 30 June 2011: HK\$26,063,000) while the segment result turning from loss to profit of approximately HK\$5,250,000 (Six months ended 30 June 2011: loss of HK\$3,753,000). The decrease in revenue from the finance leasing segment was mainly attributable to decrease in interesting-bearing finance lease receivables balance and the reduction in the benchmark interest rate in the PRC. The segment results turning from loss to profit was mainly attributable to effective measures introduced for saving operational expenses and no provision for doubtful debts was made during the period under review.

The Group adhered to a prudent risk management policy, the finance leasing segment continuously carried out rigorous assessment and regular review of the credit risk of all the existing and new finance leasing clients with no impairment noted. The Group will continue to adopt a prudent credit risk management strategy and use its best endeavour in the recovery of impaired receivables.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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### BUSINESS REVIEW AND OUTLOOK (Continued)

#### *Finance leasing (Continued)*

In response to the loosening of credit policies in the PRC and the changes in the international economic environment, the finance leasing segment insisted on continuously adopting a prudent business development strategy. The Group proactively responded to intensifying market competition by refining industrial classification and explored different financing methods to lower its finance costs thereby enhancing its finance leasing project yield. The Group will look for continuous and steady business expansion based on effective risk control.

#### *Assets Management*

During the period under review, the assets management segment recorded revenue of approximately HK\$3,111,000 (Six months ended 30 June 2011: HK\$148,000) while the segment results turning from loss to profit of approximately HK\$457,000 (Six months ended 30 June 2011: loss of HK\$615,000). Assets management segment results turning from loss to profits was attributable to the improved efficiency of the of the Group's assets management operations.

With an in-depth understanding of the PRC economies, industries and cultures together with a well-established global investment relationships connection, the assets management segment was dedicated to grasping current investment opportunities and market development so as to acquire stable risk-adjusted returns. The assets management segment's investments mainly focus on industry sectors which are positioned to benefit from the strong economic growth in PRC.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aimed to maintain stable funding sources and financing is arranged to match business characteristics and cash flows. The financial leverage of the Group as at 30 June 2012 as compared to 31 December 2011 is summarized below:

	<b>30 June 2012 HK\$'000</b>	31 December 2011 HK\$'000 (restated)
Total borrowings		
Current borrowings	<b>243,881</b>	414,350
Non-current borrowings	<b>173,819</b>	248,322
sub-total	<b>417,700</b>	662,672
Total cash		
Bank balances and cash	<b>300,002</b>	291,868
Structured deposits	<b>24,390</b>	13,580
Restricted bank deposits	<b>16,329</b>	25,926
sub-total	<b>340,721</b>	331,374
Net borrowings	<b>76,979</b>	331,298
Total equity	<b>833,240</b>	837,198
Total assets	<b>1,297,749</b>	1,572,252
Financial leverage		
Net debt to total equity	<b>9%</b>	40%
Net debt to total assets	<b>6%</b>	21%
Current ratio	<b>234%</b>	173%

As at 30 June 2012, the Group had bank balances and cash of approximately HK\$300,002,000 (31 December 2011: HK\$291,868,000), structured deposits of approximately HK\$24,390,000 (31 December 2011: HK\$13,580,000) and restricted bank deposits of approximately HK\$16,329,000 (31 December 2011: HK\$25,926,000) which were mainly denominated in Hong Kong dollars and Renminbi. The increase was mainly from net cash inflow from operating activities of approximately HK\$127,234,000 and net proceeds from the disposal of investment properties of approximately HK\$118,312,000 netting off with net repayment of borrowings of approximately HK\$238,400,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS (Continued)**

### **LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (Continued)**

As at 30 June 2012, the Group's borrowings amounted to approximately HK\$417,700,000, of which approximately HK\$243,881,000 were repayable within twelve months from 30 June 2012 and approximately HK\$173,819,000 were repayable after twelve months from 30 June 2012. During the period under review, the Group obtained new bank borrowings of approximately HK\$4,568,000 applying for finance leasing business. All loans borne interest at market rates.

### **CAPITAL STRUCTURE**

The equity attributable to owners of the Company amounted to approximately HK\$832,501,000 as at 30 June 2012 (31 December 2011: HK\$836,470,000). The decrease was mainly due to exchange differences on translation and share of translation difference of an associate amounted to approximately HK\$6,115,000. The profit attributable to owners of the Company for the six months ended 30 June 2012 of approximately HK\$2,146,000 narrowed down the decrease. The Company did not issue any new shares during the period under review. The issued share capital of the Company was HK\$11,522,000 (represented by approximately 1,152,200,000 ordinary shares).

### **MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT**

Other than disposal of investment properties as disclosed in Note 18 to the condensed consolidated financial statement, the Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2012.

### **CHARGE ON ASSETS**

As at 30 June 2012, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$80,500,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$30,514,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$388,383,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$387,186,000.
- (iii) There were new bank deposits of approximately HK\$16,329,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings of approximately HK\$100,413,000.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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### 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 and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2012, the Group has no significant foreign exchange exposure.

### CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2012.

### EMPLOYEES

As at 30 June 2012, the Group employed 45 (31 December 2011: 41) 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 2012, 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**

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The Board did not declare an interim dividend for the six months ended 30 June 2012 (2011: Nil).

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

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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**

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The Directors of the Company who held office at 30 June 2012 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2012 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"):

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

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

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2012
		Interests in shares	Interests in underlying shares*	Total interests	
Li Shaofeng	Beneficial owner	-	11,000,000	11,000,000	0.95%
Luo Zhenyu	Beneficial owner	-	9,000,000	9,000,000	0.78%
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	19,368,604	27,646,604	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 "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK\$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share 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 were held	Number of shares/underlying shares in GDC			Total interests as to % of the issued share capital of GDC as at 30.06.2012
		Interests in shares	Interests in underlying shares*	Total interests	
Li Shaofeng	Beneficial owner	-	12,950,000	12,950,000	0.85%
Wang Tian	Beneficial owner	820	-	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	30,008,200	11,370,000	41,378,200	2.72%
Zhou Jianhong	Beneficial owner	400,410	-	400,410	0.02%

\* *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.*

Save as disclosed above, as at 30 June 2012, 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 2012.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2012, 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 were held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2012	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 2012) that as at 12 February 2010, its interest was 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 2012) 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 2012, 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

On 7 June 2002, the 2002 Scheme was adopted by the shareholders of the Company. No share option was granted or exercised in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2012. Details of movements in the share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Lapsed during the period	At the end of the period			
<b>Directors of the Company</b>						
Li Shaofeng	11,000,000	-	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Luo Zhenyu	9,000,000	-	9,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Wang Tian	5,094,000 6,000,000	- -	5,094,000 6,000,000	19.01.2007 22.01.2008	19.01.2007 – 18.01.2017 22.01.2008 – 21.01.2018	HK\$0.410 HK\$0.724
	11,094,000	-	11,094,000			
Yuan Wenxin	9,094,000 6,000,000	- -	9,094,000 6,000,000	19.01.2007 22.01.2008	19.01.2007 – 18.01.2017 22.01.2008 – 21.01.2018	HK\$0.410 HK\$0.724
	15,094,000	-	15,094,000			
Leung Shun Sang, Tony	75 604 11,368,000 8,000,000	(75) <sup>1</sup> - - -	- 604 11,368,000 8,000,000	23.08.2002 06.03.2003 19.01.2007 22.01.2008	23.08.2002 – 06.06.2012 06.03.2003 – 05.03.2013 19.01.2007 – 18.01.2017 22.01.2008 – 21.01.2018	HK\$0.730 HK\$0.760 HK\$0.410 HK\$0.724
	19,368,679	(75)	19,368,604			
Tam King Ching, Kenny	1,136,000 1,150,000	- -	1,136,000 1,150,000	19.01.2007 22.01.2008	19.01.2007 – 18.01.2017 22.01.2008 – 21.01.2018	HK\$0.410 HK\$0.724
	2,286,000	-	2,286,000			

**SHARE OPTIONS (Continued)**

Category or name of grantees	Options to subscribe for shares of the Company			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Lapsed during the period	At the end of the period			
<b>Directors of the Company (Continued)</b>						
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
	<u>2,286,000</u>	<u>-</u>	<u>2,286,000</u>			
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
	<u>2,286,000</u>	<u>-</u>	<u>2,286,000</u>			
	<u>72,414,679</u>	<u>(75)</u>	<u>72,414,604</u>			
<b>Employees of the Group</b>	3,700,000	-	3,700,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.410
	7,920,000	-	7,920,000	14.12.2010	14.12.2010 - 13.12.2020	HK\$0.540
	<u>11,620,000</u>	<u>-</u>	<u>11,620,000</u>			
<b>Other participants</b>	1,330,000	(1,330,000) <sup>2</sup>	-	06.03.2003	06.03.2003 - 31.12.2011	HK\$0.760
	34,104,000	-	34,104,000	19.01.2007	19.01.2007 - 18.01.2017	HK\$0.410
	18,500,000	-	18,500,000	22.01.2008	22.01.2008 - 21.01.2018	HK\$0.724
	600,000	-	600,000	14.12.2010	14.12.2010 - 13.12.2020	HK\$0.540
	<u>54,534,000</u>	<u>(1,330,000)</u>	<u>53,204,000</u>			
	<u>138,568,679</u>	<u>(1,330,075)</u>	<u>137,238,604</u>			

### SHARE OPTIONS (Continued)

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On 25 May 2012, a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company, which was conditional upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme (the "Listing Approval"). The Listing Approval was granted on 29 May 2012. Accordingly, the 2012 Scheme became effective on 29 May 2012. The 2002 Scheme was terminated from the date on which the 2012 Scheme became effective. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme. No share options have been granted under the 2012 Scheme.

#### *Notes:*

1. Such share options lapsed on 7 June 2012.
2. Such share options lapsed on 1 January 2012.

### AUDIT COMMITTEE

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The Company has engaged the Auditor to assist the Audit Committee to review the 2012 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 21 August 2012 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2012.

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE

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The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Listing Rules was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 30 June 2012.

### COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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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 2012.

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

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The following are the changes in the information of Directors since the date of the 2011 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, ceased to serve as the chairman of the Remuneration Committee of the Company with effect from 1 April 2012, but remains a member of the Remuneration Committee of the Company.
- (b) Mr. Tam King Ching, Kenny, an Independent Non-executive Director of the Company, has served as the chairman of the Remuneration Committee of the Company with effect from 1 April 2012.

### **APPRECIATION**

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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, 28 August 2012