



**SHOUGANG CONCORD GRAND
(GROUP) LIMITED**

Stock Code : 730



INTERIM REPORT 2013

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CORPORATE INFORMATION

Board of Directors

Li Shaofeng (*Chairman*)
Luo Zhenyu (*Managing Director*)
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
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
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

Remuneration Committee

Tam King Ching, Kenny (*Chairman*)
Li Shaofeng
Leung Shun Sang, Tony
Zhou Jianhong
Yip Kin Man, Raymond

Company Secretary

Cheng Man Ching

Auditor

Deloitte Touche Tohmatsu

CORPORATE INFORMATION (continued)

Principal Registrars HSBC Securities Services (Bermuda) Limited
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Hong Kong

Stock Code 730

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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 2013. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	3	29,188	29,838
Cost of sales		(19,327)	(18,959)
Gross profit		9,861	10,879
Other income	4	2,631	4,527
Distribution costs and selling expenses		(351)	(416)
Administrative expenses		(16,525)	(15,032)
Increase in fair value of investment properties		3,600	5,700
Changes in fair value of held-for-trading investments		(3,300)	411
Finance costs	5	(177)	(355)
Share of results of an associate		9,886	(3,686)
Profit before tax		5,625	2,028
Income tax (expense) credit	6	(29)	139
Profit for the period	7	5,596	2,167

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (continued)**

For the six months ended 30 June 2013

	NOTE	Six months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation		3,100	(2,886)
Share of translation difference of an associate		4,580	(3,239)
		7,680	(6,125)
Total comprehensive income (expense) for the period		13,276	(3,958)
Profit (loss) for the period attributable to:			
Owners of the Company		5,597	2,146
Non-controlling interests		(1)	21
		5,596	2,167
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		13,268	(3,969)
Non-controlling interests		8	11
		13,276	(3,958)
Earnings per share	9		
Basic (HK cent)		0.49	0.19
Diluted (HK cent)		0.49	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	31,183	31,295
Investment properties	11	92,000	88,400
Goodwill	12	52,935	52,935
Interests in associates	13	292,478	278,012
Finance lease receivables	14	295,170	279,412
Restricted bank deposits	21 (iii)	42,501	31,970
Available-for-sale investments		5,317	5,251
Deferred tax assets		396	275
		811,980	767,550
Current assets			
Inventories		3,534	3,848
Amount due from an associate		388	388
Finance lease receivables	14	247,067	223,540
Prepayments, deposits and other receivables		6,233	6,482
Held-for-trading investments		39,623	39,928
Structured deposits	15	25,316	12,500
Bank balances and cash		301,118	316,267
		623,279	602,953
Current liabilities			
Other payables and accruals		14,881	13,558
Income received in advance		3,860	4,682
Rental and management fee in advance and other deposits received		658	488
Tax liabilities		12,359	12,113
Secured bank borrowings – due within one year	16	236,962	217,995
		268,720	248,836
Net current assets		354,559	354,117
Total assets less current liabilities		1,166,539	1,121,667

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2013

	NOTES	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Capital and reserves			
Share capital	17	11,522	11,522
Retained earnings		645,134	639,330
Other reserves		202,068	194,604
Equity attributable to owners of the Company		858,724	845,456
Non-controlling interests		769	761
Total equity		859,493	846,217
Non-current liabilities			
Income received in advance		4,904	3,799
Secured bank borrowings – due after one year	16	259,739	241,099
Security deposits received	18	42,403	30,552
		307,046	275,450
Total equity and liabilities		1,166,539	1,121,667

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	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 2012 (audited)	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
At 1 January 2013 (audited)	11,522	1,007	115,576	49,517	28,504	639,330	845,456	761	846,217
Exchange differences on translation	-	-	-	3,091	-	-	3,091	9	3,100
Share of translation difference of an associate	-	-	-	4,580	-	-	4,580	-	4,580
Profit (loss) for the period	-	-	-	-	-	5,597	5,597	(1)	5,596
Total comprehensive income for the period	-	-	-	7,671	-	5,597	13,268	8	13,276
Lapse of share options	-	-	-	-	(207)	207	-	-	-
At 30 June 2013 (unaudited)	11,522	1,007	115,576	57,188	28,297	645,134	858,724	769	859,493

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	6,428	13,259
(Increase) decrease in finance lease receivables	(32,919)	142,300
Interest paid	(15,955)	(17,469)
Other operating cash flows	14,208	(10,856)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(28,238)	127,234
INVESTING ACTIVITIES		
Placement of restricted bank deposits	(10,126)	(475)
Withdrawal of restricted bank deposits	–	9,756
Interest received	2,125	3,157
Purchase of property, plant and equipment	(230)	(52)
Proceeds from disposal of assets classified as held for sale	–	118,312
Purchase of structured deposits	(25,316)	(24,390)
Proceeds from redemption of structured deposits	12,658	13,414
Repayment from an investee	–	1,209
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(20,889)	120,931
FINANCING ACTIVITIES		
New bank loans raised	149,266	4,568
Repayment of bank loans	(117,100)	(242,968)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	32,166	(238,400)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(16,961)	9,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	316,267	291,868
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,812	(1,631)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	301,118	300,002

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 (the “Listing Rules”).

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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatory effective for the current interim period.

Except as described below, the application of the new or revised 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

HKFRS 13 Fair Value Measurement (continued)

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 20.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)

The Group has applied the amendments to HKAS 34 *Interim Financial Reporting* as part of the *Annual Improvements to HKFRSs 2009 – 2011 Cycle* for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed consolidated financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since there has not been a material change from the amounts disclosed in the last annual financial statements for each reportable segment, the Group has not included total assets and total liabilities information as part of segment information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

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 where assets management segment is engaged in investment management and trading of goods. These divisions are the basis that is regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance.

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

Six months ended 30 June 2013 (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	1,337	23,395	4,456	29,188
Segment result	4,644	4,425	106	9,175
Other income				1,648
Central administration costs				(11,607)
Changes in fair value of held- for-trading investments				(3,300)
Finance costs				(177)
Share of profit of an associate				9,886
Profit before tax				5,625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2012 (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	1,998	24,729	3,111	29,838
Segment result	7,339	5,250	457	13,046
Other income				2,988
Central administration costs				(10,376)
Changes in fair value of held- for-trading investments				411
Finance costs				(355)
Share of loss of an associate				(3,686)
Profit before tax				2,028

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 certain other income, central administration costs, changes in fair value of held-for-trading investments, finance costs and share of result of an associate. This is the measure reported to the CODM, being the Group's Executive Directors, for the purposes of resources allocation and assessment of segment performance.

During the six months ended 30 June 2013, the Group had no material change in segment assets and segment liabilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

4. OTHER INCOME

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest income from bank deposits	1,687	2,739
Interest income from structured deposits	438	418
Dividend income from held-for-trading investments	486	1,345
Others	20	25
	2,631	4,527

5. FINANCE COSTS

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	177	355

6. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	55	79
Hong Kong	95	90
	150	169
Deferred taxation:		
Current period	(121)	(308)
	29	(139)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

6. INCOME TAX EXPENSE (CREDIT) (continued)

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, for the purpose of this report does not include Hong Kong, Macau and Taiwan ("Mainland China"), was 25% for the six months ended 30 June 2013 (Six months ended 30 June 2012: 25%).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	726	676

8. 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 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

9. 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:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	5,597	2,146
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,152,192	1,152,192
Effect of dilutive potential ordinary shares: Share options (Note)	1,277	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,153,469	1,152,192

Note: The computation of diluted earnings per share for the six months ended 30 June 2013 did not include the potential ordinary shares arising from the Company's certain share options (Six months ended 30 June 2012: all share options) because the exercise prices of these share options were higher than the average market price of the shares of the Company for the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of approximately HK\$230,000 (Six months ended 30 June 2012: HK\$52,000).

11. INVESTMENT PROPERTIES

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Investment properties located in Hong Kong, at fair value	92,000	88,400

The fair value of the Group's investment properties located in Hong Kong at 30 June 2013 and 31 December 2012 has been arrived at on the basis of a valuation carried out on those dates 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 in the same location and conditions and where appropriate by capitalisation of rental income from properties. The resulting increase in fair value of investment properties of approximately HK\$3,600,000 (Six months ended 30 June 2012: HK\$5,700,000) has been credited to profit or loss for the period.

12. 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 2013, 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 2013

13. INTERESTS IN ASSOCIATES

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Cost of investments in associates Listed in Hong Kong	186,613	186,613
Share of post-acquisition results	184,678	174,792
Share of post-acquisition exchange reserve	18,181	13,601
	389,472	375,006
Impairment loss	(96,994)	(96,994)
	292,478	278,012
Fair value of listed investment in Hong Kong	185,750	106,497
Carrying amount of interest in an associate listed in Hong Kong	292,478	278,012

As at 30 June 2013 and 31 December 2012, the Group held 40.78% of nominal value of issued share capital of Global Digital Creation Holdings Limited ("GDC"), a company listed on The Stock Exchange of Hong Kong Limited.

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

The recoverable amount of the investment in GDC as at 30 June 2013 has been determined based on the value in use calculations. As at 30 June 2013, no further impairment loss has been recognised in relation to the interest in GDC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

13. INTERESTS IN ASSOCIATES (continued)

The recoverable amount of the investment in GDC as at 30 June 2013 has been determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by GDC, including the cash flows from the operations of each of the business units consisting of the computer graphic ("CG") creation and production, CG training courses business, the investment in cultural park business and the property leasing business. The cash flow projections for the CG creation and production, and CG training courses business are based on financial budgets approved by management covering a 5-year period and a discount rate of 19% (31 December 2012: 19%) and a 3.5% (31 December 2012: 3.5%) growth rate after the 5-year period. Other key assumptions for the cash flow projections relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The cash flow projections for the investment in cultural park business and the property leasing business take into account the rental income of the property derived from the existing leases and the estimated future lease income capitalised at a market yield rate expected for similar type of property over the remaining period of the property leasing right. For the property leasing business, the management expects that the property leasing right could be renewed until the end of the land lease. The expense on the land lease for the property is also taken into consideration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

14. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	282,111	258,649	247,067	223,540
In more than one year but not more than two years	171,645	151,395	152,565	133,774
In more than two years but not more than three years	107,628	124,277	100,167	117,037
In more than three years but not more than four years	32,799	29,615	30,422	28,601
In more than four years but not more than five years	12,399	–	12,016	–
	606,582	563,936	542,237	502,952
Less: Unearned finance lease income	(64,345)	(60,984)	N/A	N/A
Present value of minimum lease receipts	542,237	502,952	542,237	502,952
Analysed as:				
Current finance lease receivables (receivable within 12 months)			247,067	223,540
Non-current finance lease receivables (receivable after 12 months)			295,170	279,412
			542,237	502,952
Fixed-rate finance lease receivables			3,712	6,697
Variable-rate finance lease receivables			538,525	496,255
			542,237	502,952

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

14. FINANCE LEASE RECEIVABLES (continued)

Effective interest rates of the above finance lease receivables for the period are as follows:

	30 June 2013	31 December 2012
Fixed-rate finance lease receivables	11% to 11.5%	11% to 11.5%
Variable-rate finance lease receivables	6% to 15%	6% to 15%

During the six months ended 30 June 2013, the Directors reviewed the credit quality of the finance lease receivables according to their past repayment history. No impairment loss has been recognised for the six months ended 30 June 2013 and 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.

15. STRUCTURED DEPOSITS

The structured deposits at 30 June 2013 consist of deposits of HK\$25,316,000 (31 December 2012: HK\$12,500,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 3.3% to 3.9% (31 December 2012: 2.7%) per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the banks, payable on maturity ranging from 90 to 91 days (31 December 2012: 63 days) from the date of purchase. 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 measured by reference to discounted cash flow approach as disclosed in Note 20, approximate their carrying values.

No change in fair value for those deposits that have been matured has been recognised for the six months ended 30 June 2013 and 2012 as the effect is not significant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

16. SECURED BANK BORROWINGS

During the six months ended 30 June 2013, the Group obtained new bank loans amounted to approximately HK\$149,266,000 (Six months ended 30 June 2012: HK\$4,568,000). The proceeds were wholly used for finance lease operations. The loans were secured by the Group's certain finance lease receivables (Note 14) 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 5 years. During the period, the Group repaid bank loans amounted to approximately HK\$117,100,000 (Six months ended 30 June 2012: HK\$242,968,000).

17. SHARE CAPITAL

Issued share capital as at 30 June 2013 amounted to HK\$11,522,000. There were no movements in the issued share capital of the Company in the current and prior interim period.

On 18 June 2013, the shareholders of the Company approved the increase in the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 ordinary shares to HK\$100,000,000 divided into 10,000,000,000 ordinary shares at the Company's annual general meeting.

18. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK\$42,403,000 (31 December 2012: HK\$30,552,000) have been received by the Group to secure the finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements which is over one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

19. SHARE-BASED PAYMENTS

The Company has share option schemes to provide incentives to eligible Directors, employees and other participants of the Group.

The following table discloses movement of the Company's share options outstanding during the current period:

	Number of share options
At 1 January 2013 (audited)	137,238,604
Lapsed during the period	(1,300,604)
At 30 June 2013 (unaudited)	135,938,000

No share option was granted or exercised during the six months ended 30 June 2013 and 2012.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 June 2013	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK\$28,022,000 – in Mainland China: HK\$1,424,000 Listed debt securities in Hong Kong: HK\$10,177,000	Level 1	Quoted bid prices in an active market	N/A
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: HK\$25,316,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

No gains or losses are recognised in profit or loss relating to the change in fair value of structured deposits classified as Level 3 in the current and prior interim period as the amount involved is insignificant.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements approximate their fair values.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of structured deposits are disclosed above.

21. CHARGE ON ASSETS

As at 30 June 2013, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$92,000,000 (31 December 2012: HK\$88,400,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$27,996,000 (31 December 2012: HK\$29,262,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$468,977,000 (31 December 2012: HK\$438,513,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$468,705,000 (31 December 2012: HK\$429,832,000).
- (iii) There were bank deposits of approximately HK\$42,501,000 (31 December 2012: HK\$31,970,000) restricted for the repayment of part of bank borrowings set out in (ii) above, which will be released upon full settlement of the relevant bank borrowing with outstanding amount of approximately HK\$279,688,000 (31 December 2012: HK\$242,591,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate 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 Company is an associate of Shougang Holding (Hong Kong) Limited (“Shougang Holdings”), which is a controlling shareholder of the Company defined under the Listing Rules. Shougang Holding is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation and its subsidiaries (collectively referred as “Shougang Group”) is controlled under the PRC government. The transactions and balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

(a) Transactions with related parties

	Rental income		Consultancy fee expense	
	(Note a)		(Note b)	
	Six months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Shougang Holding	–	–	480	480
Li Shaofeng, the Chairman of the Company	71	71	–	–

Notes:

- The transactions were carried out in accordance with the relevant lease agreements.
- 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 2013

22. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

At 30 June 2013, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2012: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2012: 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 with the related parties as disclosed in Note 22(a), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As of 30 June 2013, 100%, 100%, 99% and 94% (31 December 2012: 100%, 100%, 99% and 94%) of restricted bank deposits, structured deposits, bank balances and bank borrowings are held with these state-controlled financial institutions respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the six months ended 30 June 2013 is as follows:

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Short-term benefits	2,975	3,875
Post-employment benefits	149	171
	3,124	4,046

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.

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 29, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period 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 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The global economy moves along the track of low growth while in major advanced economies the recovery strength remains fragile in 2013. Facing a fluctuating market environment, the Group achieves stable and steady development with a pace of progress while maintaining stability. The Group's profit attributable to owners of the Company for the six months ended 30 June 2013 was approximately HK\$5,597,000, representing an increase of approximately 161% when compared with that profit of approximately HK\$2,146,000 for the six months ended 30 June 2012. The increase was mainly attributable to the Group's share of results of associates turning from loss to profit.

The revenue of the Group for the six months ended 30 June 2013 was approximately HK\$29,188,000, which represented a decrease of approximately 2% when compared with the revenue of approximately HK\$29,838,000 for the corresponding period in 2012. The decrease was mainly attributable to the decrease in income from the finance leasing segment and the property leasing and building management services segment.

The Group recorded a gross profit of approximately HK\$9,861,000 for the six months ended 30 June 2013, representing a gross profit margin of approximately 34%, which was a slight decline when comparing with the gross profit margin of approximately 36% for the corresponding period in 2012.

The Group recorded a share of results of associates turning from loss to profit of approximately HK\$9,886,000 for the six months ended 30 June 2013 (Six months ended 30 June 2012: loss of HK\$3,686,000).

Basic earnings per share of the Group for the six months ended 30 June 2013 was HK0.49 cents (Six months ended 30 June 2012: HK0.19 cents).

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Outlook

Property Investment and Management

During the period under review, revenue from the property leasing and building management services segment decreased by 33% to approximately HK\$1,337,000 (Six months ended 30 June 2012: HK\$1,998,000), while the segment result recorded a profit of approximately HK\$4,644,000 (Six months ended 30 June 2012: HK\$7,339,000). The decrease in revenue from the property leasing and building management services segment was mainly attributable to changes in market environment that resulted in the decrease in rental income. The decrease in segment result was mainly attributable to the effect of the local property market having reached a relatively high level that resulted in the decrease in fair value gain of investment properties of the Group.

Capturing market opportunities, the Group disposed of certain investment properties in the past few years (including residential, commercial and industrial units) so as to adjust the combination and quality of the investment properties portfolio. The Group will continue to monitor market changes and seek investment opportunities. The Group received stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return to the Group in the foreseeable future.

Finance leasing

During the period under review, revenue from the finance leasing segment decreased by 5% to approximately HK\$23,395,000 (Six months ended 30 June 2012: HK\$24,729,000), while the segment result recorded a profit of approximately HK\$4,425,000 (Six months ended 30 June 2012: HK\$5,250,000). The decrease in revenue from the finance leasing segment was mainly attributable to the decrease in interest-bearing finance lease receivables average balance and the reduction in the benchmark interest rate in Mainland China ("Mainland China", for the purpose of this report, does not include Hong Kong, Macau and Taiwan). The decrease in segment result was mainly attributable to the decrease in interest income.

The Group adhered to a prudent risk management policy, with the finance leasing segment continuously carrying out rigorous and regular review of credit risk over all the existing clients and new finance leasing projects. The Group will continue to adopt a careful and prudent credit risk management strategy and endeavor to exercise its best efforts in the recovery of impaired receivables.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Outlook (continued)

Finance leasing (continued)

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, based on the ever strengthening and improving risk control mechanism, the finance leasing segment insisted on optimizing management system, enriching business team to solidify existing clients and proactively explore customers with good quality so as to promote an expanded business scale and increase overall revenue.

Assets Management

During the period under review, revenue from the assets management segment increased by 43% to approximately HK\$4,456,000 (Six months ended 30 June 2012: HK\$3,111,000), while the segment result recorded a profit of approximately HK\$106,000 (Six months ended 30 June 2012: HK\$457,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The decrease in segment result was mainly attributable to changes in market environment that resulted in the decrease in gross profit.

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

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 2013 as compared to 31 December 2012 is summarized below:

	30 June 2013 HK\$'000	31 December 2012 HK\$'000
Total borrowings		
Current borrowings	236,962	217,995
Non-current borrowings	259,739	241,099
sub-total	496,701	459,094
Total cash		
Bank balances and cash	301,118	316,267
Structured deposits	25,316	12,500
Restricted bank deposits	42,501	31,970
sub-total	368,935	360,737
Net borrowings	127,766	98,357
Total equity	859,493	846,217
Total assets	1,435,259	1,370,503
Financial leverage		
Net debt to total equity	15%	12%
Net debt to total assets	9%	7%
Current ratio	232%	242%

As at 30 June 2013, the Group had bank balances and cash of approximately HK\$301,118,000 (31 December 2012: HK\$316,267,000), structured deposits of approximately HK\$25,316,000 (31 December 2012: HK\$12,500,000) and restricted bank deposits of approximately HK\$42,501,000 (31 December 2012: HK\$31,970,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to net cash inflow from bank borrowings of approximately HK\$32,166,000 netting off with net cash outflow from operating activities of approximately HK\$28,238,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Financing Activities (continued)

As at 30 June 2013, the Group's borrowings amounted to approximately HK\$496,701,000, of which approximately HK\$236,962,000 were repayable within twelve months from 30 June 2013 and approximately HK\$259,739,000 were repayable after twelve months from 30 June 2013. During the period under review, the Group obtained new bank borrowings of approximately HK\$149,266,000 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\$858,724,000 as at 30 June 2013 (31 December 2012: HK\$845,456,000). The increase was mainly due to the profits for the six months ended 30 June 2013 attributable to owners of the Company of approximately HK\$5,597,000 and exchange difference arising on translation of approximately HK\$7,671,000 in total. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK\$11,522,000 (represented by approximately 1,152 million ordinary shares issued).

Material Acquisition, Disposals and Significant Investment

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2013.

Charge on Assets

As at 30 June 2013, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$92,000,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$27,996,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$468,977,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$468,705,000.
- (iii) There were bank deposits of approximately HK\$42,501,000 restricted for the repayment of part of bank borrowings set out in (ii) above, which will be released upon full settlement of the relevant bank borrowings of approximately HK\$279,688,000.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign Exchange Exposure

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2013, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2013.

Employees

As at 30 June 2013, the Group employed 47 (31 December 2012: 46) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and 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 2013, 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 2013 (2012: 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 2013 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 2013 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

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 30.06.2013
		Interests in shares	Derivative interests*	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	19,368,000	27,646,000	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 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 30.06.2013
		Interests in shares	Derivative interests*	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	6,470,000	36,478,200	2.40%
Zhou Jianhong	Beneficial owner	400,410	-	400,410	0.02%

* *The interests are unlisted physically settled options.*

Save as disclosed above, as at 30 June 2013, 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 2013.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2013, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2013	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/underlying 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 2013) 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 2013) that as at 23 February 2005, 91,491,193 shares of the Company were held by Max Same, a wholly-owned subsidiary of Cheung Kong, and 41,557,524 shares of the Company were held by Botany Limited which in turn was held as to 87.5% by Cheung Kong. Accordingly, Cheung Kong was interested in an aggregate of 133,048,717 shares of the Company.
3. Mr. Li Ka-shing indicated in his disclosure form dated 17 July 2012 (being the latest disclosure form filed up to 30 June 2013) that as at 16 July 2012, his interests in the Company were held by Cheung Kong which in turn was held as to 40.43% by TUT1. TUT1 was wholly-owned by Li Ka-Shing Unity Holdings Limited ("Unity Holdco") which in turn was held as to 33.33% by Mr. Li Ka-shing. TDT1 and TDT2, both wholly-owned subsidiaries of Unity Holdco, were deemed to be interested in the shares of the Company which TUT1 was interested in. The long position in the 133,048,717 shares of the Company held by Cheung Kong, Mr. Li Ka-shing, TUT1, TDT1 and TDT2 were the same block of shares.

Save as disclosed above, as at 30 June 2013, 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 shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Particulars of share options in relation to each of the 2002 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2002 Scheme

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2013. 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			
Directors of the Company						
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	-	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			
Leung Shun Sang, Tony	604	(604) ¹	-	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
	19,368,604	(604)	19,368,000			

SHARE OPTIONS (continued)

(a) The 2002 Scheme (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			
Directors of the Company (continued)						
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			
	72,414,604	(604)	72,414,000			
Employees of the Group	3,700,000	(1,300,000) ²	2,400,000	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
	11,620,000	(1,300,000)	10,320,000			
Other participants	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
	53,204,000	–	53,204,000			
	137,238,604	(1,300,604)	135,938,000			

Notes:

- Such share options lapsed on 6 March 2013, being the expiry date of the relevant exercise period.
- The share options were held by a grantee who ceased to be an employee of the Group on 1 December 2012. Such share options lapsed on 1 January 2013 according to the terms of the 2002 Scheme.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2013 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2013 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2013.

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 2013.

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 2012 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, serves as an independent non-executive director of CCT Telecom Holdings Limited. The Company name of CCT Telecom Holdings Limited changed to CCT Fortis Holdings Limited from 8 July 2013.

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, 28 August 2013