



SHOUGANG CONCORD GRAND
(GROUP) LIMITED

Stock Code : 730

INTERIM REPORT **2014**



CONTENTS

CORPORATE INFORMATION	2
INTERIM RESULTS	
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10
REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	29
MANAGEMENT DISCUSSION AND ANALYSIS	31
INTERIM DIVIDEND	36
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	37
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	37
INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO	39
SHARE OPTIONS	40
AUDIT COMMITTEE	43
COMPLIANCE WITH CORPORATE GOVERNANCE CODE	43
COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	43
DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES	44
CHANGE OF DIRECTOR	44
APPRECIATION	44

CORPORATE INFORMATION

Board of Directors

Li Shaofeng (*Chairman*)
Luo Zhenyu (*Managing Director*)
Wang Tian (*Deputy Managing Director*)
Wang Qinghua (*Deputy Managing Director*)
(*appointed with effect from 1 September 2014*)
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
Wang Qinghua (*appointed as a member*
with effect from 1 September 2014)
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 Registrar	Appleby Management (Bermuda) Ltd. Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Principal Office in Hong Kong	Rooms 1101-04, 11th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
Stock Code	730
Website	www.shougang-grand.com.hk

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 2014. 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 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	3	25,165	29,188
Cost of sales		(15,588)	(19,327)
Gross profit		9,577	9,861
Other income	4	5,049	2,631
Distribution costs and selling expenses		(425)	(351)
Administrative expenses		(16,118)	(16,525)
Increase in fair value of investment properties		–	3,600
Changes in fair value of held-for-trading investments		(686)	(3,300)
Finance costs	5	(158)	(177)
Share of results of an associate		13,313	9,886
Profit before tax		10,552	5,625
Income tax expense	6	(230)	(29)
Profit for the period	7	10,322	5,596



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

For the six months ended 30 June 2014

		Six months ended 30 June	
	NOTE	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Other comprehensive (expense) income: Items that will not be reclassified to profit or loss:			
Exchange differences on translation		(6,396)	3,100
Share of translation difference of an associate		(7,858)	4,580
		(14,254)	7,680
Total comprehensive (expense) income for the period		(3,932)	13,276
Profit (loss) for the period attributable to:			
Owners of the Company		10,359	5,597
Non-controlling interests		(37)	(1)
		10,322	5,596
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(3,877)	13,268
Non-controlling interests		(55)	8
		(3,932)	13,276
Earnings per share	9		
Basic (HK cents)		0.90	0.49
Diluted (HK cents)		0.90	0.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	29,406	30,772
Investment properties	11	92,000	92,000
Goodwill	12	52,935	52,935
Interests in associates	13	304,925	299,470
Finance lease receivables	14	199,308	251,143
Restricted bank deposits	22 (iii)	25,232	25,879
Available-for-sale investments		5,251	5,386
Deferred tax assets		349	466
		709,406	758,051
Current assets			
Inventories		3,450	3,896
Amount due from an associate		388	388
Finance lease receivables	14	251,847	254,638
Trade receivables	15	147	17
Prepayments, deposits and other receivables		6,376	5,603
Held-for-trading investments		15,719	16,443
Structured deposits	16	25,000	25,641
Bank balances and cash		254,618	289,273
		557,545	595,899
Current liabilities			
Other payables and accruals		17,595	17,989
Income received in advance		3,221	3,658
Rental and management fee received in advance and other deposits received		677	647
Tax liabilities		12,307	12,500
Secured bank borrowings – due within one year	17	190,096	197,977
Security deposits received – due within one year	19	4,547	3,190
		228,443	235,961
Net current assets		329,102	359,938
Total assets less current liabilities		1,038,508	1,117,989



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2014

	NOTES	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Capital and reserves			
Share capital	18	11,522	11,522
Retained earnings		656,446	646,087
Other reserves		194,193	208,429
Equity attributable to owners of the Company		862,161	866,038
Non-controlling interests		702	757
Total equity		862,863	866,795
Non-current liabilities			
Income received in advance		2,875	4,051
Secured bank borrowings			
– due after one year	17	147,702	222,122
Security deposits received			
– due after one year	19	25,068	25,021
		175,645	251,194
Total equity and liabilities		1,038,508	1,117,989

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus reserve HK\$'000 (Note (a))	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000		
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
At 1 January 2014 (audited)	11,522	1,007	115,576	63,549	28,297	646,087	866,038	757	866,795
Exchange differences on translation	-	-	-	(6,378)	-	-	(6,378)	(18)	(6,396)
Share of translation difference of an associate	-	-	-	(7,858)	-	-	(7,858)	-	(7,858)
Profit (loss) for the period	-	-	-	-	-	10,359	10,359	(37)	10,322
Total comprehensive (expense) income for the period	-	-	-	(14,236)	-	10,359	(3,877)	(55)	(3,932)
At 30 June 2014 (unaudited)	11,522	1,007	115,576	49,313	28,297	656,446	862,161	702	862,863

Notes:

- (a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers as mentioned in Note (b) below.
- (b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK\$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK\$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	7,726	6,428
Decrease (increase) in finance lease receivables	41,981	(32,919)
Interest paid	(12,354)	(15,955)
Other operating cash flows	260	14,208
NET CASH FROM (USED IN) OPERATING ACTIVITIES	37,613	(28,238)
INVESTING ACTIVITIES		
Proceeds from redemption of structured deposits	25,000	12,658
Interest received	3,053	2,125
Purchase of structured deposits	(25,000)	(25,316)
Purchase of property, plant and equipment	(135)	(230)
Placement of restricted bank deposits	-	(10,126)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	2,918	(20,889)
FINANCING ACTIVITIES		
New bank loans raised	16,250	149,266
Repayment of bank loans	(88,717)	(117,100)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(72,467)	32,166
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,936)	(16,961)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	289,273	316,267
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,719)	1,812
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	254,618	301,118

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“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 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of the new interpretation and 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.

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 Chief Operating Decision Maker (“CODM”), being the Managing Director of the Company, in order to allocate resources to the segment and to assess its performance.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

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 2014 (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	1,840	19,780	3,545	25,165
Segment result	1,505	6,223	(195)	7,533
Other income				1,949
Central administration costs				(11,399)
Changes in fair value of held-for-trading investments				(686)
Finance costs				(158)
Share of results of an associate				13,313
Profit before tax				10,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

3. SEGMENT INFORMATION (continued)

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 results of an associate				9,886
Profit before tax				5,625

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

During the six months ended 30 June 2014, 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 2014

4. OTHER INCOME

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest income from bank deposits	2,535	1,687
Interest income from structured deposits	518	438
Dividend income from held-for-trading investments	243	486
Consultancy income	1,719	–
Others	34	20
	5,049	2,631

5. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	12,354	15,955
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	(12,196)	(15,778)
	158	177

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax:		
The People's Republic of China Enterprise Income Tax ("PRC EIT")	70	55
Hong Kong	43	95
	113	150
Deferred taxation:		
Current period	117	(121)
	230	29

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 ("the PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in the Mainland China (for the purpose of this report, "Mainland China" refers to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan), was 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%).

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	743	726



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

8. DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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	
	2014 HK\$'000 (unaudited)	2013 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)	10,359	5,597
	'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	1,152,192	1,153,469

Note: The computation of diluted earnings per share for the six months ended 30 June 2014 did not include the potential ordinary shares arising from all the Company's share options (six months ended 30 June 2013: certain 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 2014

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment of approximately HK\$135,000 (six months ended 30 June 2013: HK\$230,000).

11. INVESTMENT PROPERTIES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Investment properties located in Hong Kong, at fair value	92,000	92,000

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

The fair values of the Group's investment properties located in Hong Kong at 30 June 2014 and 31 December 2013 have 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 in the same location and conditions and where appropriate by capitalisation of rental income from properties. No change in fair value of investment properties (six months ended 30 June 2013: increase in fair value of investment properties of approximately HK\$3,600,000) has been credited to profit or loss for the period.

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

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK\$9,700 to HK\$17,000 per square foot (31 December 2013: HK\$9,100 to HK\$18,000 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the residential property units, and vice versa.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

11. INVESTMENT PROPERTIES (continued)

Income capitalisation method has been adopted for valuing the Group's industrial property units. Key inputs used in valuing the Group's industrial property units were the market rent per square foot which is HK\$45 (31 December 2013: HK\$45) and the discount rate of 12% (31 December 2013: 13%) used. Market rent per square foot is extrapolated using zero growth rate. An increase in the market rent per square foot or discount rate used would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 3 HK\$'000	Fair value HK\$'000
Residential and industrial property units located in Hong Kong	92,000	92,000

There were no transfers into or out of Level 3 for the period.

12. GOODWILL

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

Goodwill has been allocated to the cash generating unit ("CGU") of finance leasing division. During the six months ended 30 June 2014, 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 2014

13. INTERESTS IN ASSOCIATES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Cost of investments in associates		
Listed in Hong Kong	186,613	186,613
Unlisted in Hong Kong	–	–
Share of post-acquisition results	201,825	188,512
Share of post-acquisition translation reserve	13,481	21,339
	401,919	396,464
Impairment loss	(96,994)	(96,994)
	304,925	299,470
Fair value of listed investments in Hong Kong	182,655	235,284
Carrying amount of interests in associates listed in Hong Kong	304,925	299,470



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

13. INTERESTS IN ASSOCIATES (continued)

As at 30 June 2014 and 31 December 2013, 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 2014 and 2013 has been determined based on the value in use calculations which were more than the corresponding carrying value. The Group did not recognised any impairment loss (six months ended 30 June 2013: nil) for the period ended 30 June 2014 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 30 June 2014 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, CG training courses business and the property leasing business are based on financial budgets approved by management covering a 5-year period and a discount rate of 17% (31 December 2013: 17%) and a 3.5% (31 December 2013: 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 has taken into account of 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

14. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	282,611	287,093	251,847	254,638
In more than one year but not more than two years	150,954	178,179	138,678	163,477
In more than two years but not more than three years	44,355	68,461	40,014	63,818
In more than three years but not more than four years	18,296	25,116	16,866	23,848
In more than four years but not more than five years	4,049	–	3,750	–
	500,265	558,849	451,155	505,781
Less: Unearned finance lease income	(49,110)	(53,068)	N/A	N/A
Present value of minimum lease receipts	451,155	505,781	451,155	505,781
Analysed as:				
Current finance lease receivables (receivable within 12 months)			251,847	254,638
Non-current finance lease receivables (receivable after 12 months)			199,308	251,143
			451,155	505,781
Fixed-rate finance lease receivables			89,670	1,805
Variable-rate finance lease receivables			361,485	503,976
			451,155	505,781



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

14. FINANCE LEASE RECEIVABLES (continued)

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

	30 June 2014	31 December 2013
Fixed-rate finance lease receivables	4% to 15%	11% to 11.5%
Variable-rate finance lease receivables	7% to 15%	6% to 15%

During the six months ended 30 June 2014, 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 2014 and 2013.

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. TRADE RECEIVABLES

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Rental receivables - aged within three months	147	17

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.

16. STRUCTURED DEPOSITS

The structured deposits at 30 June 2014 consist of deposits of HK\$25,000,000 (31 December 2013: HK\$25,641,000) denominated in Renminbi and issued by banks in the Mainland China. The structured deposits carry interest at expected interest rate of 3.9% to 4.5% (31 December 2013: 3.3% to 4.2%) 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 60 to 92 days (31 December 2013: 90 to 91 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 21, approximate to 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 2014 and 2013 as the effect is not significant.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

17. SECURED BANK BORROWINGS

During the six months ended 30 June 2014, the Group obtained new bank loans amounted to approximately HK\$16,250,000 (six months ended 30 June 2013: HK\$149,266,000). The proceeds were wholly used for finance lease operations. The new bank loans and certain existing bank 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 1 to 5 years. During the period, the Group repaid bank loans amounted to approximately HK\$88,717,000 (six months ended 30 June 2013: HK\$117,100,000).

18. SHARE CAPITAL

Issued share capital as at 30 June 2014 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.

19. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK\$29,615,000 (31 December 2013: HK\$28,211,000) have been received by the Group to secure the finance lease receivables and classified into current liabilities and non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements.

20. SHARE-BASED PAYMENTS

The Company adopted a share option scheme on 7 June 2002 to provide incentives to eligible Directors, employees and other participants of the Group.

The share options outstanding at 30 June 2014 and 2013 were 135,938,000.

No share option was granted or exercised during the six months ended 30 June 2014 and 2013.

During the six months ended 30 June 2014, no share option was lapsed (six months ended 30 June 2013: 1,300,604 share options).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

21. 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 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.

- 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 2014	Fair value as at 31 December 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\$4,169,000 – in Mainland China: HK\$1,434,000 Listed debt securities in Hong Kong: HK\$10,116,000	Listed equity securities: – in Hong Kong: HK\$4,713,000 – in Mainland China: HK\$1,506,000 Listed debt securities in Hong Kong: HK\$10,224,000	Level 1	Quoted bid prices in an active market	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

21. 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)

Financial assets	30 June 2014	Fair value as at 31 December 2013	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Structured deposits	Bank deposits in Mainland China with non-closely related embedded derivative: HK\$25,000,000	Bank deposits in Mainland China with non-closely related embedded derivative: HK\$25,641,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of 3.9% to 4.5% (31 December 2013: 3.3% to 4.2%) 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.

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 and therefore no reconciliation of Level 3 fair value measurements is presented.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurements.

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

22. CHARGE ON ASSETS

As at 30 June 2014, 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 2013: HK\$92,000,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$25,438,000 (31 December 2013: HK\$26,721,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$317,528,000 (31 December 2013: HK\$409,528,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$312,360,000 (31 December 2013: HK\$393,378,000).
- (iii) There were bank deposits of approximately HK\$25,232,000 (31 December 2013: HK\$25,879,000) 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\$170,202,000 (31 December 2013: HK\$207,582,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

23. 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 Holding”), 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 and balances with related parties

	Rental income (Note a)		Consultancy fee expense (Note b)		Management fee expense (Note b)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Shougang Holding	-	-	480	480	-	-
An associate of Shougang Holding	-	-	-	-	420	420
Li Shaofeng, the Chairman of the Company	71	71	-	-	-	-



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2014

23. RELATED PARTY TRANSACTIONS (continued)

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

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.

At 30 June 2014, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2013: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2013: 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 23(a), the Group has entered into various transactions in its ordinary course of business including deposits and placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As of 30 June 2014, 100%, 100%, 99% and 92% (31 December 2013: 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 2014

23. 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 2014 is as follows:

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Short-term benefits	2,975	2,975
Post-employment benefits	126	149
	3,101	3,124

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

24. LITIGATION

On 5 August 2013, a writ of summons (the "Writ of Summons") was issued at the High Court of Hong Kong against GDC Holdings Limited (the "Defendant"), a wholly-owned subsidiary of GDC (an associate of the Company), for specific performance or damages in lieu in relation to an agreement entered into between the plaintiff, the Defendant and GDC on 6 September 2011 (the "Agreement"). The plaintiff alleged that one of the clauses in the Agreement required the Defendant to acquire certain amount of shares of GDC Technology Limited from the plaintiff subject to the occurrence of certain events. The Defendant filed a defence ("Defence") on 22 November 2013 denying the plaintiff's allegations and asserting various affirmative defences. The amount involved in the claim is US dollars 790,900.

The Defendant has reached an agreement with the plaintiff to settle the dispute out of court without compensation and the agreement to resolve the dispute was signed by the parties on 4 July 2014. On 11 July 2014, the High Court granted a consent order to dismiss the whole of the plaintiff's claim in this action.



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 comprise the condensed consolidated statement of financial position as of 30 June 2014 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 2014



MANAGEMENT DISCUSSION AND ANALYSIS

Overall Performance

The global economy moves along the track of moderate growth yet the recovery strength is weaker than expected while in major advanced economies the recovery strength remains fragile in 2014. 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 2014 was approximately HK\$10,359,000, representing an increase of approximately 85% when compared with that profit of approximately HK\$5,597,000 for the six months ended 30 June 2013. The increase was mainly attributable to the increase in the Group's share of results of an associate.

The revenue of the Group for the six months ended 30 June 2014 was approximately HK\$25,165,000, which represented a decrease of approximately 14% when compared with the revenue of approximately HK\$29,188,000 for the corresponding period in 2013. The decrease was mainly attributable to the decrease in income from the finance leasing segment.

The Group recorded a gross profit of approximately HK\$9,577,000 for the six months ended 30 June 2014, representing a gross profit margin of approximately 38%, which was a slight increase when comparing with the gross profit margin of approximately 34% for the corresponding period in 2013. The improved gross profit margin was mainly contributed by the finance leasing segment.

The Group recorded a share of profit of an associate of approximately HK\$13,313,000 for the six months ended 30 June 2014 (Six months ended 30 June 2013: HK\$9,886,000).

Basic earnings per share of the Group for the six months ended 30 June 2014 was HK0.90 cents (Six months ended 30 June 2013: HK0.49 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 increased by 38% to approximately HK\$1,840,000 (Six months ended 30 June 2013: HK\$1,337,000), while the segment result recorded a profit of approximately HK\$1,505,000 (Six months ended 30 June 2013: HK\$4,644,000). The increase in revenue from the property leasing and building management services segment was mainly attributable to the Group's continuous optimization of the quality of the investment properties to improve rental value. 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 a stable fair value 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 15% to approximately HK\$19,780,000 (Six months ended 30 June 2013: HK\$23,395,000), while the segment result recorded a profit of approximately HK\$6,223,000 (Six months ended 30 June 2013: HK\$4,425,000). The decrease in revenue from the finance leasing segment was mainly attributable to the decrease in interest-bearing finance lease receivables average balance. The increase in segment result was mainly attributable to the increase in handling fee 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 ("Mainland China", for the purpose of this report, does not include Hong Kong, Macau and Taiwan) 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 decreased by 20% to approximately HK\$3,545,000 (Six months ended 30 June 2013: HK\$4,456,000), while the segment result recorded a loss of approximately HK\$195,000 (Six months ended 30 June 2013: profit of HK\$106,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The segment result turning from profit to loss 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 2014 as compared to 31 December 2013 is summarized below:

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Total borrowings		
Current borrowings	190,096	197,977
Non-current borrowings	147,702	222,122
sub-total	337,798	420,099
Total cash		
Bank balances and cash	254,618	289,273
Structured deposits	25,000	25,641
Restricted bank deposits	25,232	25,879
sub-total	304,850	340,793
Net borrowings	32,948	79,306
Total equity	862,863	866,795
Total assets	1,266,951	1,353,950
Financial leverage		
Net debt to total equity	4%	9%
Net debt to total assets	3%	6%
Current ratio	244%	253%

As at 30 June 2014, the Group had bank balances and cash of approximately HK\$254,618,000 (31 December 2013: HK\$289,273,000), structured deposits of approximately HK\$25,000,000 (31 December 2013: HK\$25,641,000) and restricted bank deposits of approximately HK\$25,232,000 (31 December 2013: HK\$25,879,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to net cash outflow from bank borrowings of approximately HK\$72,467,000 netting off with net cash inflow from operating activities of approximately HK\$37,613,000.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Financing Activities (continued)

As at 30 June 2014, the Group's borrowings amounted to approximately HK\$337,798,000, of which approximately HK\$190,096,000 were repayable within twelve months from 30 June 2014 and approximately HK\$147,702,000 were repayable after twelve months from 30 June 2014. During the period under review, the Group obtained new bank borrowings of approximately HK\$16,250,000 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\$862,161,000 as at 30 June 2014 (31 December 2013: HK\$866,038,000). The decrease was mainly due to the profits for the six months ended 30 June 2014 attributable to owners of the Company of approximately HK\$10,359,000 was offsetted by exchange difference arising on translation of approximately HK\$14,236,000 in total during the period. 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 2014.

Charge on Assets

As at 30 June 2014, 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\$25,438,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$317,528,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$312,360,000.
- (iii) There were bank deposits of approximately HK\$25,232,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings of approximately HK\$170,202,000.

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 2014, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2014.

Employees

As at 30 June 2014, the Group employed 50 (31 December 2013: 49) 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 2014, 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 2014 (2013: 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 2014 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 2014 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 30.06.2014
		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 in GDC	Interests as to % of the issued share capital of GDC as at 30.06.2014
Wang Tian	Beneficial owner	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	30,008,200	1.97%
Zhou Jianhong	Beneficial owner	400,410	0.02%

Save as disclosed above, as at 30 June 2014, 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 2014.



INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, 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 30.06.2014	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 2014) 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 2014) 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 2014) 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 2014, 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.



SHARE OPTIONS (continued)

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, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2014. Details of the outstanding 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 at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Li Shaofeng	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Luo Zhenyu	9,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Wang Tian	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	11,094,000			
Yuan Wenxin	9,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	15,094,000			
Leung Shun Sang, Tony	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	19,368,000			
Tam King Ching, Kenny	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	2,286,000			

SHARE OPTIONS (continued)

(a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)				
Zhou Jianhong	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	<u>2,286,000</u>			
Yip Kin Man, Raymond	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	<u>2,286,000</u>			
	<u>72,414,000</u>			
Employees of the Group				
	2,400,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	7,920,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	<u>10,320,000</u>			
Other participants				
	34,104,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	<u>53,204,000</u>			
	<u>135,938,000</u>			



SHARE OPTIONS (continued)

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2014, there was no share option outstanding under the 2012 Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2014 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 2014 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2014.

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 2014.

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 2014.

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

The following are the changes in the information of Directors since the date of the 2013 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Li Shaofeng, an Executive Director and the Chairman of the Company, serves as a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. The company name of Sinocop Resources (Holdings) Limited had been changed to China Dynamics (Holdings) Limited from 15 May 2014.
- (b) Mr. Tam King Ching, Kenny, an Independent Non-executive Director of the Company, is a member of the Institute of Chartered Accountants of Ontario, Canada. The registered name of such institute had been changed to Chartered Professional Accountants of Ontario, Canada upon unification of the accounting professions in Ontario.

CHANGE OF DIRECTOR

Mr. Wang Qinghua has been appointed as an Executive Director and the Deputy Managing Director of the Company as well as a member of the Executive Committee with effect from 1 September 2014.

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 2014