
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional Adviser.

If you have sold or transferred all your shares in Shougang Concord Grand (Group) Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

**(1) CONNECTED TRANSACTION IN RESPECT OF
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND
APPLICATION FOR WHITEWASH WAIVER
AND
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(3) MAJOR AND CONNECTED TRANSACTION IN RESPECT OF
CAPITAL INJECTION OF EQUITY INTEREST IN A SUBSIDIARY
AND
(4) VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION INVOLVING
MASTER FACILITIES AGREEMENT
AND
(5) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser
to Independent Board Committees and Independent Shareholders**



大有融資有限公司
MESSIS CAPITAL LIMITED

A letter from the Board is set out on pages 7 to 37 of this circular and letters from the Independent Board Committees to the Independent Shareholders is set out on pages 38 to 41 of this circular. A letter from MESSIS CAPITAL LIMITED, the Independent Financial Adviser, containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 42 to 80 of this circular.

A notice convening the Special General Meeting to be held at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Friday, 19 June 2015 at 10:45 a.m. is set out on pages 165 to 168 of this circular. A form of proxy for the Special General Meeting for use by the Shareholders is enclosed with this circular.

Whether or not you are able to attend the Special General Meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjourned meeting should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“2015 Prospectus”	2015 年度第一期中期票據募集說明書 (prospectus in relation to the first phrase raising of medium term note in 2015*) published by Shougang Corporation in March 2015;
“Agreements”	the Subscription Agreement, the Placing Agreement, the Capital Injection Agreement and the Master Facilities Agreement;
“Announcement”	the announcement of the Company dated 15 April 2015 in relation to, among other things, the Agreements and the Transactions;
“Annual Caps”	proposed annual caps for the continuing connected transactions contemplated under the Master Facilities Agreement;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day”	any day (excluding Saturday and days on which a tropical cyclone warning time No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open for business in Hong Kong;
“BVI”	the British Virgin Islands;
“Capital Injection”	the capital injection of approximately US\$97,500,000 and US\$40,500,000 into the registered capital of South China Leasing by the Company (through its subsidiaries) and Shougang Holding respectively in accordance with the terms of the Capital Injection Agreement;
“Capital Injection Agreement”	the capital injection agreement dated 26 March 2015 entered into by and amongst the Company, Shougang Holding and South China Leasing;
“Circular”	a circular to be issued and published by the Company together with the notice of Special General Meeting in relation to the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver;
“Company”	Shougang Concord Grand (Group) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

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“Connected Transactions IBC”	an independent board committee, comprising all the independent non-executive Directors, namely Mr. Tam King Ching, Kenny, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond, established to advise the Independent Shareholders as to whether the Agreements, the Transactions and the Annual Caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to give its recommendations as to voting in respect of the Agreements, the Transactions and the Annual Caps;
“controlling shareholder(s)”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Effective Date”	the date on which the Master Facilities Agreement becomes effective;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates;
“Facilities”	the facilities up to an aggregate principal amount of RMB8,000,000,000 to be provided by the Company and/or its subsidiaries to members of the Shougang Corporation Group in accordance with the Master Facilities Agreement. The Facilities to be granted are non-revolving and are subject to the Annual Caps;
“Group”	the Company and its subsidiaries from time to time;
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Holding Announcement”	the announcement of the Company dated 26 March 2015 in relation to suspension of trading pending the release of the Announcement;
“Independent Board Committees”	collectively, the Connected Transactions IBC and the Whitewash Waiver IBC;
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committees and the Independent Shareholders regarding (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor;

DEFINITIONS

“Independent Shareholders”	<p>(1) as regards the Agreements, the Transactions and the Annual Caps, the Shareholders other than Shougang Holding and its associates and other Shareholders who have a material interest in the Agreements, the Transactions and the Annual Caps; or</p> <p>(2) as regards the Whitewash Waiver, the Subscription Agreement and the transactions contemplated thereunder, the Shareholders other than (i) Shougang Holding and its associates; (ii) any persons acting in concert with Shougang Holding; (iii) any persons presumed to be acting in concert with Shougang Holding; and (iv) any persons involved or interested in the Subscription, the transactions contemplated thereunder the Agreements and/or the Whitewash Waiver;</p>
“Independent Third Party” or “Independent Third Parties”	person or company and their respective ultimate beneficial owner which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons;
“Last Trading Day”	26 March 2015, being the last day of trading of the Shares on the Stock Exchange prior to the signing of the Subscription Agreement and the Placing Agreement;
“Latest Practicable Date”	22 May 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular;
“Listing Committee”	the listing committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Master Facilities Agreement”	the agreement dated 26 March 2015 entered into between the Company and Shougang Corporation, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Corporation and/or its subsidiaries for a term of 3 years;
“Placee(s)”	any person(s) or entity(ies) whom the Placing Agent and/or any of its agent(s) has procured to subscribe for any of the Placing Shares pursuant to the Placing Agreement;

DEFINITIONS

“Placing”	the placing of 600,000,000 new Shares by the Placing Agent on a fully underwritten basis pursuant to the terms of the Placing Agreement;
“Placing Agent”	VMS Securities Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities within the meaning of the SFO;
“Placing Agreement”	a conditional placing agreement dated 26 March 2015 entered into between the Company and the Placing Agent in relation to the Placing;
“Placing Completion”	completion of the Placing in accordance with the terms and conditions of the Placing Agreement;
“Placing Price”	HK\$0.41 per Placing Share;
“Placing Shares”	600,000,000 new Shares to be placed under the Placing Agreement;
“PRC”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, Macao Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAFE”	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局);
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Shougang Corporation”	Shougang Corporation, a state-owned enterprise established under the laws of the PRC and the holding company of Shougang Holding;
“Shougang Corporation Group”	Shougang Corporation and its subsidiaries (including direct and indirect subsidiaries);

DEFINITIONS

“Shougang Holding”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shougang Corporation and the controlling Shareholder of the Company;
“South China Leasing”	南方國際租賃有限公司 (South China International Leasing Company Limited), a company established in the PRC and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“Special General Meeting”	the special general meeting of the Company to be convened and held at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Friday, 19 June 2015 at 10:45 a.m. for the Independent Shareholders to approve the resolutions in relation to (1) the Subscription Agreement and the Whitewash Waiver; (2) the Placing Agreement; (3) the Capital Injection Agreement; and (4) the Master Facilities Agreement and the Annual Caps;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	subscription of the Subscription Shares by Shougang Holding at the Subscription Price pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 26 March 2015 entered into between the Company and Shougang Holding in respect of the Subscription;
“Subscription Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement;
“Subscription Price”	the subscription price of HK\$0.41 per Subscription Share;
“Subscription Share(s)”	920,000,000 new Shares to be allotted and issued by the Company to Shougang Holding under the Subscription;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Transactions”	the Subscription, the Placing and the Capital Injection and the transaction contemplated thereunder the Master Facilities Agreement;
“US\$”	United States dollars, the lawful currency of the United States of America;

DEFINITIONS

“Whitewash Waiver”	the waiver by the Executive under Note 1 to the Notes on Dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Shougang Holding and any persons acting in concert with it to make a general offer to the Shareholders for all issued shares and other securities of the Company not already owned or agreed to be acquired by Shougang Holding or any persons acting in concert with it as a result of the allotment and issue of the Subscription Shares to Shougang Holding;
“Whitewash Waiver IBC”	an independent board committee, comprising all the non-executive Director and independent non-executive Directors, namely Mr. Leung Shun Sang, Tony, Mr. Tam King Ching, Kenny, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond, established to advise the Independent Shareholders as to whether the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to give its recommendation as to voting in respect of the Whitewash Waiver; and
“%”	per cent.

Unless otherwise specified in this Circular, translations of RMB into HK\$ are made in this Circular, for illustration only, at the rate of HK\$1.00 to RMB0.80. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all. Furthermore, translations of US\$ into HK\$ are made in this Circular, for illustration only, at the rate of US\$1.00 to HK\$7.75. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate or at all.

* For identification purpose only

LETTER FROM THE BOARD



首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

Directors:

Mr. Li Shaofeng (*Chairman*)
Mr. Luo Zhenyu (*Managing Director*)
Mr. Wang Tian (*Deputy Managing Director*)
Mr. Wang Qinghua (*Deputy Managing Director*)
Mr. Yuan Wenxin (*Deputy Managing Director*)
Mr. Leung Shun Sang, Tony (*Non-executive Director*)
Mr. Tam King Ching, Kenny
(Independent Non-executive Director)
Ms. Zhou Jianhong (*Independent Non-executive Director*)
Mr. Yip Kin Man, Raymond
(Independent Non-executive Director)

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

26 May 2015

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND
APPLICATION FOR WHITEWASH WAIVER
AND
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(3) MAJOR AND CONNECTED TRANSACTION IN RESPECT OF
CAPITAL INJECTION OF EQUITY INTEREST IN A SUBSIDIARY
AND
(4) VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION INVOLVING
MASTER FACILITIES AGREEMENT**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 April 2015 in relation to, among other things, the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver.

* For identification purpose only

LETTER FROM THE BOARD

Subscription of New Shares

On 26 March 2015 (after trading hours), the Company entered into the Subscription Agreement with Shougang Holding, pursuant to which Shougang Holding has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 920,000,000 new Shares at the Subscription Price of HK\$0.41 per Subscription Share to Shougang Holding. The Subscription is subject to various conditions set out below under the heading “Conditions precedent to the Subscription”.

The Subscription Shares represent (i) approximately 79.85% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 34.43% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares (as set out below) (assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and both the Subscription Completion and the Placing Completion save for the issue of the Subscription Shares and the Placing Shares). The transactions contemplated under the Subscription Agreement constitutes connected transaction for the Company under the Listing Rules.

The shareholding of Shougang Holding (together with parties acting in concert with it) will increase from approximately 37.36% of the issued share capital of the Company as at the Latest Practicable Date to approximately 50.54% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares, immediately after the Subscription Completion and the Placing Completion. Under Rule 26.1 of the Takeovers Code, Shougang Holding (and any persons acting in concert with it) is required to make a mandatory general offer for all the issued shares (other than those Shares already owned or agreed to be acquired by Shougang Holding and parties acting in concert with it) unless the Whitewash Waiver is obtained. In this regard, an application has been made by Shougang Holding to the Executive for the granting of the Whitewash Waiver in respect of the issue of the Subscription Shares to it pursuant to Note 1 to Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the Special General Meeting by way of poll.

Placing of New Shares

On 26 March 2015 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 600,000,000 Placing Shares at the Placing Price of HK\$0.41 per Placing Share. The Placing is subject to various conditions set out below under the heading “Conditions precedent to the Placing”.

The Placing Shares represent (i) approximately 52.07% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.45% of the issued share capital of the Company as enlarged by the issue of both the Subscription Shares and the Placing Shares (assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and both the Subscription Completion and the Placing Completion save for the issue of the Subscription Shares and the Placing Shares).

LETTER FROM THE BOARD

Capital Injection

On 26 March 2015 (after trading hours), the Company, Shougang Holding and South China Leasing entered into the Capital Injection Agreement, pursuant to which the Company and Shougang Holding have conditionally agreed that the Company (through its subsidiaries) and Shougang Holding shall inject capital of US\$97,500,000 (equivalent to approximately HK\$755,625,000) and US\$40,500,000 (equivalent to approximately HK\$313,875,000) respectively into South China Leasing. The Capital Injection Agreement is subject to various conditions set out below under the heading “Conditions precedent to the Capital Injection”.

As at the Latest Practicable Date, South China Leasing is an indirect wholly-owned subsidiary of the Company. Following the Capital Injection, Shougang Holding will hold 25% of the enlarged registered capital of South China Leasing and the Company’s equity interest in South China Leasing will be reduced from 100% to 75%. The Capital Injection constitutes a major and connected transaction for the Company under the Listing Rules.

Master Facilities Agreement

On 26 March 2015 (after trading hours), the Company has entered into the Master Facilities Agreement with Shougang Corporation, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Corporation and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 (equivalent to approximately HK\$10,000,000,000) for a term of 3 years. The Facilities to be granted under the Master Facilities Agreement are non-revolving and subject to the Annual Caps. The transactions contemplated under the Master Facilities Agreement constitute continuing connected transactions and very substantial acquisition for the Company under the Listing Rules.

The Connected Transactions IBC has been established in compliance with the Listing Rules to consider the Agreements, the Transactions and the Annual Caps and advise the Independent Shareholders in relation to the Agreements, the Transactions and the Annual Caps. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Connected Transactions IBC and the Independent Shareholders in this regard.

The Whitewash Waiver IBC has been established in compliance with Rule 2.8 of the Takeovers Code to consider the terms of the Whitewash Waiver and advise the Independent Shareholders as to the Whitewash Waiver. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Whitewash Waiver IBC and the Independent Shareholders in this regard.

The purposes of this circular are to provide you with (i) further details of the Subscription, the Whitewash Waiver, the Placing, the Capital Injection, the Master Facilities Agreement and the Annual Caps; (ii) a letter of recommendation from the Connected Transactions IBC to the Independent Shareholders in relation to the Agreements, the Transactions and the Annual Caps; (iii) a letter of recommendation from the Whitewash Waiver IBC to the Independent Shareholders in respect of the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser in relation to the Agreements, the Transactions, the Whitewash Waiver and the Annual Caps; and (v) the notice convening the Special General Meeting, and (vi) other information as required under the Listing Rules and the Takeovers Code.

LETTER FROM THE BOARD

Since the completion of each of the Subscription, the Placing, the Capital Injection and the Master Facilities Agreement are subject to the fulfilment of certain conditions, the Subscription, the Placing, the Capital Injection and/or the Master Facilities Agreement may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares. When in doubt, Shareholders and investors are recommended to consult their professional adviser(s).

1. SUBSCRIPTION OF NEW SHARES

On 26 March 2015 (after trading hours), the Company entered into the Subscription Agreement with Shougang Holding, pursuant to which Shougang Holding has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 920,000,000 new Shares at the Subscription Price of HK\$0.41 per Subscription Share to Shougang Holding. The Subscription is subject to various conditions set out below. Details of the principal terms of the Subscription Agreement are set out below:

The Subscription Agreement

Date

26 March 2015

Parties

- (a) the Company (as issuer); and
- (b) Shougang Holding (as subscriber).

Subject to the terms and fulfillment of the conditions precedent set out in the Subscription Agreement, Shougang Holding has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 920,000,000 new Shares at the Subscription Price of HK\$0.41 per Subscription Share to Shougang Holding, with an aggregate consideration of HK\$377,200,000. As at the Latest Practicable Date, Shougang Holding is a controlling Shareholder which holds 430,491,315 Shares, representing approximately 37.36% of the issued share capital of the Company.

The total aggregate consideration for the Subscription, being HK\$377,200,000, shall be payable by Shougang Holding in cash to the Company upon the Subscription Completion.

Subscription Shares

The Subscription Shares represent (i) approximately 79.85% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 34.43% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares (as set out below) (assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and both the Subscription Completion and the Placing Completion save for the issue of the Subscription Shares and the Placing Shares) and (iii) approximately 44.40% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares

LETTER FROM THE BOARD

(assuming (1) there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Subscription Completion save for the issue of the Subscription Shares; and (2) the Placing Completion does not take place in accordance with the terms of the Placing Agreement).

The aggregate nominal value of the Subscription Shares under the Subscription will be HK\$9,200,000.

The Subscription Shares are not subject to any lock-up or other disposal restriction under the Subscription Agreement.

Conditions precedent to the Subscription

Subscription Completion is conditional upon fulfillment of the following conditions:

- (a) the listing of, and permission to deal in, the Subscription Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions which are acceptable to both the Company and Shougang Holding) and such permission to deal in and the listing of the Subscription Shares not subsequently being revoked prior to or on the date of the Subscription Completion;
- (b) the passing of the relevant resolutions by way of poll at the Special General Meeting by the Independent Shareholders approving:
 - (i) the Subscription Agreement and the transactions contemplated thereunder;
 - (ii) the issue and allotment of the Subscription Shares to Shougang Holding; and
 - (iii) the grant of the Whitewash Waiver in respect of the Subscription;
- (c) the Placing Agreement having become unconditional; and
- (d) the Executive of the SFC having granted the Whitewash Waiver in respect of the Subscription.

None of the above conditions precedent to the Subscription Agreement can be waived. If any of the conditions precedent to the Subscription is not fulfilled on or prior to 31 December 2015 (or such later date as may be agreed between the Company and Shougang Holding in writing), the Subscription Agreement shall lapse and be of no further effect and the Company and Shougang Holding shall be released from such obligations without any liability save for any antecedent breach of the Subscription Agreement.

As at the Latest Practicable Date, all the above conditions were yet to be fulfilled.

LETTER FROM THE BOARD

Subscription Completion

The Subscription Completion will take place on the third Business Day following the date on which all the conditions of the Subscription are fulfilled (or such other date as the Company and Shougang Holding may agree in writing). Although the Subscription Completion is not inter-conditional with the Placing Completion, it is expected that the Subscription Completion and the Placing Completion will take place on the same day.

At the current stage, the Group's future business plan as described in the Announcement and in this circular is, in material respects, in line with the intention of Shougang Holding in relation to the future business and business development of the Group upon completion of the Subscription and the Placing.

Shougang Holding does not intend to introduce any major changes to the existing operations and management structure of the Group, or to discontinue the employment of any employee of the Group, or to deploy any material fixed assets of the Group, as a result of the Subscription. Shougang Holding is optimistic about the prospect of the existing business of the Group and considers that the increase of interest in the Company is commercially justifiable.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects among themselves, and when issued, shall be free from all liens, charges, security interests, third party interests, encumbrances and adverse claims but shall have all the rights and benefits attached or at any time accruing thereto.

Subscription Price

The Subscription Price is fixed at HK\$0.41 per Subscription Share, which represents:

- (i) a discount of approximately 7.87% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.18% to the average closing price of approximately HK\$0.437 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 3.07% to the average closing price of approximately HK\$0.423 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 49.38% to the closing price of HK\$0.810 per Share on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and Shougang Holding with reference to the prevailing market prices and the recent trading performance of the Shares when entering into of the Subscription Agreement.

Use of proceeds from the Subscription

The gross proceeds from the Subscription are expected to be approximately HK\$377,200,000. After deducting related professional fees and all related expenses of about HK\$500,000 which will be borne by the Company under the Subscription, the net proceeds of the Subscription will amount to approximately HK\$376,700,000, representing a net price of approximately HK\$0.409 per Subscription Share. The net proceeds from the Subscription is intended to be applied to the Capital Injection as set out below. In the event that the Capital Injection cannot become unconditional, the net proceeds from the Subscription will be utilised for the Group's entrusted payment business.

Information on Shougang Holding

Shougang Holding, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Shougang Corporation which is a state-owned enterprise in the PRC. Shougang Holding is engaged in investment holding, property investment and provision of management services.

Specific mandate

The Subscription Shares will be allotted and issued under a specific mandate to allot, issue and deal with the Subscription Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the Special General Meeting. The specific mandate will be valid and effective for a period of 30 days from the date of passing of the relevant ordinary resolution at the Special General Meeting.

Application for listing of the Subscription Shares

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Listing Rules implications in relation to the Subscription

As at the Latest Practicable Date, Shougang Holding is a controlling Shareholder which holds 430,491,315 Shares, representing approximately 37.36% of the issued share capital of the Company. Since Shougang Holding is a controlling Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Subscription constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Subscription at the Special General Meeting.

LETTER FROM THE BOARD

Takeovers Code implications and application for the Whitewash Waiver

The shareholding of Shougang Holding (together with persons acting in concert with it) will increase from approximately 37.36% of the issued share capital of the Company as at the Latest Practicable Date to approximately 50.54% of the then issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares, immediately after the Subscription Completion and the Placing Completion. Under Rule 26.1 of the Takeovers Code, Shougang Holding (and any persons acting in concert with it) is required to make a mandatory general offer for all the issued shares (other than those Shares already owned or agreed to be acquired by it and parties acting in concert with it) unless the Whitewash Waiver is obtained.

In this regard, an application has been made by Shougang Holding to the Executive for the granting of the Whitewash Waiver in respect of the issue of the Subscription Shares to it pursuant to Note 1 to Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the Special General Meeting by way of poll.

Shougang Holding has confirmed that none of Shougang Holding or any person acting or presumed to be acting in concert with it has acquired voting rights in the Company in the six months prior to 26 March 2015, being the date of the Holding Announcement, which would constitute disqualifying transaction under the Takeovers Code.

Save as disclosed in the paragraph headed “Changes to the shareholding structure of the Company as a result of the Subscription and the Placing” below, none of Shougang Holding or any persons acting or presumed to be acting in concert with it owns or has control or direction over any voting right in or rights over any Shares or any convertible securities, warrants or options in respect of the Shares, or any outstanding derivatives in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; nor is there any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of Shougang Holding and which might be material to the transactions contemplated under the Subscription Agreement and the Whitewash Waiver, or any agreements or arrangements to which Shougang Holding or any person acting or presumed to be acting in concert with it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and the Whitewash Waiver.

None of Shougang Holding or any persons acting or presumed to be acting in concert with it has received an irrevocable commitment to vote for or against the resolutions relating to the Subscription Agreement and the Whitewash Waiver. Furthermore, none of Shougang Holding or any persons acting or presumed to be acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Shareholders and public investors should note that immediately upon the Subscription Completion, the shareholding of Shougang Holding (together with persons acting in concert with it) will exceed 50% of the voting rights of the Company. Accordingly, the concert group as a whole may increase its holding without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

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2. PLACING OF NEW SHARES

On 26 March 2015 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 600,000,000 Placing Shares at the Placing Price of HK\$0.41 per Placing Share. The Placing is subject to various conditions set out below. The principal terms of the Placing Agreement are summarised below:

The Placing Agreement

Date

26 March 2015

Parties

- (a) the Company (as issuer); and
- (b) VMS Securities Limited (as placing agent).

The Placing Agent has conditionally agreed to place 600,000,000 Placing Shares, on a fully underwritten basis, to the Placees.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Shares are expected to be placed to not less than six Placees, who and (where a corporation) whose ultimate beneficial owners, shall be Independent Third Parties.

It is expected that none of the Placees are parties acting in concert of Shougang Holding or Shougang Corporation nor are connected to the parties acting in concert of Shougang Holding or Shougang Corporation nor will become substantial Shareholder (as defined in the Listing Rules) immediately after the Placing.

Placing Shares

The Placing Shares represent (i) approximately 52.07% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 22.45% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares (assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and both the Subscription Completion and the Placing Completion save for the issue of the Subscription Shares and the Placing Shares) and (iii) approximately 34.24% of the issued share capital of the Company as enlarged by the issue of the Placing Shares (assuming

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(1) there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Placing Completion save for the issue of the Placing Shares; and (2) the Subscription Completion does not take place in accordance with the terms of the Subscription Agreement).

The aggregate nominal value of the Placing Shares under the Placing will be HK\$6,000,000.

The Placing Shares are not subject to any lock-up or other disposal restriction under the terms of the Placing Agreement.

Conditions precedent to the Placing

Placing Completion is conditional upon fulfillment of the following conditions:

- (a) the listing of, and permission to deal in, the Placing Shares being granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions which are acceptable to both the Company and the Placing Agent) and such permission to deal in and the listing of the Placing Shares not subsequently being revoked prior to or on the date of the Placing Completion;
- (b) the passing of the relevant resolutions by way of poll at the Special General Meeting by the Independent Shareholders approving:
 - (i) the Placing Agreement and the transactions contemplated thereunder; and
 - (ii) the issue and allotment of the Placing Shares to the Placees; and
- (c) the Subscription Agreement having become unconditional.

None of the conditions precedent to the Placing Agreement can be waived. In the event any of the above conditions precedent is not fulfilled by 31 December 2015 (or such later date as may be agreed by the parties in writing thereto), the Placing Agreement shall lapse and be of no further effect and the Company and Placing Agent shall be released from such obligations without any liability save for any antecedent breach of the Placing Agreement.

As at the Latest Practicable Date, all the above conditions were yet to be fulfilled.

Placing Completion

The Placing Completion will take place on the third Business Day following the date on which all the conditions to the Placing are fulfilled, or such other date as the Company and the Placing Agent may agree. Although the Placing Completion is not inter-conditional with the Subscription Completion, it is expected that the Placing Completion and the Subscription Completion will take place on the same day.

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Ranking of the Placing Shares

The Placing Shares, upon issue, will rank pari passu in all respects among themselves and with the Shares in issue on the date of the Placing Completion.

Placing Price

The Placing Price is fixed at HK\$0.41 per Placing Share, which represents:

- (i) a discount of approximately 7.87% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.18% to the average closing price of approximately HK\$0.437 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 3.07% to the average closing price of approximately HK\$0.423 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 49.38% to the closing price of HK\$0.810 per Share on the Latest Practicable Date.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market prices and the recent trading performance of the Shares.

Placing commission

The Placing Agent will receive a placing commission of 2% of the aggregate Placing Price for the Placing Shares in accordance with the Placing Agreement.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent with reference to the market rate.

Use of proceeds from the Placing

The gross proceeds from the Placing are expected to be approximately HK\$246,000,000. After deducting related placing commission, professional fees and all related expenses of about HK\$5,000,000 which will be borne by the Company under the Placing, the net proceeds of the Placing will amount to approximately HK\$241,000,000, representing a net price of approximately HK\$0.402 per Placing Share. The net proceeds from the Placing is intended to be applied to the Capital Injection as set out below. In the event that the Capital Injection cannot become unconditional, the net proceeds from the Placing will be utilised for the Group's entrusted payment business.

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Specific mandate

The Placing Shares will be allotted and issued under a specific mandate to allot, issue and deal with the Placing Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the Special General Meeting. The specific mandate will be valid and effective for a period of 30 days from the date of passing of the relevant ordinary resolution at the Special General Meeting.

Since the Subscription Agreement is inter-conditional with the Placing Agreement, Shougang Holding and its associate(s) will abstain from voting at the Special General Meeting in respect of the resolution(s) relating to the Placing and the specific mandate.

Application for listing of the Placing Shares

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Changes to the shareholding structure of the Company as a result of the Subscription and the Placing

As at the Latest Practicable Date, the Company has 1,152,192,469 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following both the Subscription Completion and the Placing Completion (assuming that there will be no change in the issued share capital of the Company since the Latest Practicable Date and both the Subscription Completion and the Placing Completion save for the issue of the Subscription Shares and the Placing Shares):

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	As at the Latest Practicable Date		Immediately following both Subscription Completion and Placing Completion	
	<i>No. of Shares</i>	<i>%</i> <i>(approximately)</i>	<i>No. of Shares</i>	<i>%</i> <i>(approximately)</i>
Shareholders				
Shougang Holding (together with any persons acting or presumed to be acting in concert with it) (Notes 1 and 2)	430,491,315	37.36	1,350,491,315	50.54
CK Hutchison Holdings Limited (“CK Hutchison”) (Note 3)	133,048,717	11.55	133,048,717	4.98
Directors				
Wang Tian (Note 4)	4,000,000	0.35	4,000,000	0.15
Yuan Wenxin (Note 4)	4,000,000	0.35	4,000,000	0.15
Leung Shun Sang, Tony (Note 5)	8,278,000	0.71	8,278,000	0.31
Sub-total	16,278,000	1.41	16,278,000	0.61
Placees (Note 6)	–	–	600,000,000	22.45
Other public Shareholders	572,374,437	49.68	572,374,437	21.42
Total	1,152,192,469	100%	2,672,192,469	100%

Notes:

- Shougang Holding through Wheeling Holdings Limited, a wholly-owned subsidiary of Shougang Holding, holds 430,491,315 Shares.
- Mr. Li Shaofeng, who is an executive Director and a director of Shougang Holding, holds 11,000,000 share options of the Company, which confer him the rights to subscribe for 11,000,000 Shares upon exercise of the subscription rights attached to such share options.
- CK Hutchison indicated in its disclosure form dated 23 March 2015 (being the latest disclosure form filed as at the Latest Practicable Date) that as at 18 March 2015, 91,491,193 Shares were held by Max Same Investment Limited, an indirect wholly-owned subsidiary of CK Hutchison and 41,557,524 Shares were held by Botany Limited which in turn was indirectly held as to 87.5% by CK Hutchison. Accordingly, CK Hutchison was interested in an aggregate of 133,048,717 Shares.
- Mr. Wang Tian and Mr. Yuan Wenxi are executive Directors.
- Mr. Leung Shun Sang, Tony is a non-executive Director.
- The Placees and (where a corporation) their respective ultimate beneficial owner(s) are, as far as the Placing Agent is aware, will not be connected persons of the Company and will be independent of and not connected with the Company and its connected persons. It is expected that none of them will become a substantial Shareholder immediately after the Placing Completion.

As at the Latest Practicable Date, the Company has a total of 134,738,000 outstanding share options which entitles the holders of the share options to subscribe for 134,738,000 new Shares.

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Reasons for the entering into of the Subscription Agreement and the Placing Agreement

The Directors are of the view that the Subscription and the Placing present an opportunity for the Company to raise a substantial amount of funds from the equity market while broadening the shareholder and capital base of the company. The Directors are further of the view that if the Company raises funds by way of pre-emptive fund raising alternative, i.e. rights issue: (i) the amount of funds raised is uncertain unless the rights issue is fully underwritten; (ii) it is difficult for the Company to identify independent institutional underwriter(s) for rights issue at more favourable terms than those under the Subscription and the Placing; (iii) the costs for underwriting, if an underwriter can be identified, are comparatively higher than that of the Subscription and the Placing as a result of (a) the higher costs involved with rights issue attributable to a higher rate of underwriting commission for rights issue payable to underwriter(s) as compared with nil commission fee payable for the Subscription and the comparatively low underwriting commission fee charged by the Placing Agent for the Placing; and (b) an additional documentation preparation cost for rights issue prospectus and thus higher professional fees; (iv) the discount on the Shares to be issued under rights issue would be generally larger than that on the Subscription Shares and/or the Placing Shares, considering that the magnitude of discount for the issue of the Subscription Shares and the Placing Shares are low when compared with the current market price of the Shares.

The Subscription Agreement, the Placing Agreement, the Capital Injection Agreement and the Master Facilities Agreement were negotiated as a whole. Having regard to the potential benefits brought by the funds raised by the Subscription and the Placing for the Capital Injection, the vast business opportunities available to the Group following the Capital Injection and the benefits derived from the Master Facilities Agreement, details of which are disclosed under the sections headed “Reasons for entering into of the Capital Injection Agreement” and “Reasons for entering into of the Master Facilities Agreement” of this letter, the Directors (excluding Mr. Li Shaofeng, Mr. Luo Zhenyu and Mr. Wang Qinghua and excluding the independent non-executive Directors whose view are set out in the letters from the Connected Transaction IBC and the Whitewash Waiver IBC) believe that, despite of the dilution effect brought by the Subscription and the Placing to the minority Shareholders, both the Subscription and the Placing are in the interests of the Shareholders as a whole.

Fund raising activities of the Company in the past 12 months

Save as disclosed and the Subscription and the Placing, the Company has not raised fund on any issue of equity securities in the past 12 months immediately before the Latest Practicable Date.

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3. CAPITAL INJECTION

On 26 March 2015 (after trading hours), the Company, Shougang Holding and South China Leasing entered into the Capital Injection Agreement, pursuant to which the Company and Shougang Holding have conditionally agreed that the Company (through its subsidiaries) and Shougang Holding shall inject capital into South China Leasing respectively. The Capital Injection is subject to various conditions set out below. As at Latest Practicable Date, South China Leasing is an indirect wholly-owned subsidiary of the Company. Following the Capital Injection, Shougang Holding will hold 25% of the enlarged registered capital of South China Leasing and the Company's equity interest in South China Leasing will be reduced from 100% to 75%. Details of the principal terms of the Capital Injection Agreement are set out below:

The Capital Injection Agreement

Date

26 March 2015

Parties

- (a) the Company;
- (b) Shougang Holding; and
- (c) South China Leasing.

Pursuant to the Capital Injection Agreement, the Company (through its subsidiaries) will inject capital of approximately US\$97,500,000 (equivalent to approximately HK\$755,625,000) and Shougang Holding will inject capital of US\$40,500,000 (equivalent to approximately HK\$313,875,000) respectively into South China Leasing by way of cash and/or transfer of undistributed profits.

Subject to the fulfillment of the conditions precedent to the Capital Injection, the Company shall procure its subsidiaries, being Jeckman Holdings Limited, Valuework Investment Holdings Limited and SCG Capital Corporation Limited, to transfer their respective undistributed profit of South China Leasing, based on their respective proportion of equity interest in South China Leasing, into the registered capital of South China Leasing. Jeckman Holdings Limited and Valuework Investment Holdings Limited will make additional capital contribution in cash respectively to South China Leasing.

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Conditions precedent to the Capital Injection

Capital Injection is conditional upon the fulfilment of the following conditions:

- (1) the relevant branch office of the Ministry of Commerce of the PRC at the residence of South China Leasing having granted approval for or permission as to the Capital Injection, and having issued a new Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC (外商投資企業批准證書);
- (2) all necessary industrial and commercial registration procedures at the Industrial and Commercial Administration Bureau of the relevant province in respect of the Capital Injection having been duly completed and an updated business license (企業法人營業執照) of South China Leasing having been issued and obtained; and
- (3) the passing of the relevant resolutions by way of poll at the Special General Meeting by the Independent Shareholders approving the Capital Injection and the transactions contemplated thereunder.

If any the above conditions precedent to the Capital Injection is not fulfilled on or before 31 December 2015 (or such other later date as may be agreed between the parties to the Capital Injection Agreement), the Capital Injection Agreement shall lapse and be of no further effect and the parties thereto shall be released from such obligations without any liability, save for any antecedent breaches of the Capital Injection Agreement.

As at the Latest Practicable Date, all the above conditions have yet to be fulfilled.

Contributions to the registered capital of South China Leasing

As at the Latest Practicable Date, the registered capital of South China Leasing amounted to US\$24,000,000 (equivalent to approximately HK\$186,000,000). Following the Capital Injection, the registered capital of South China Leasing will be increased to US\$162,000,000 (equivalent to approximately HK\$1,255,500,000).

Details of their contributions to the registered capital of South China Leasing under the Capital Injection Agreement and the respective equity interests of the shareholders of South China Leasing before and after the Capital Injection are set out below:

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Shareholders of South China Leasing	Immediately before the Capital Injection		Transfer of undistributed profits <i>(approximately)</i>	Additional cash capital contribution <i>(approximately)</i>	Immediately after the Capital Injection	
	Capital contribution	Percentage of equity interest in South China Leasing			Total contribution to the registered capital <i>(approximately)</i>	Percentage of equity interest in South China Leasing <i>(approximately)</i>
Jeckman Holdings Limited	US\$14,400,000	60%	US\$3,780,000	US\$64,860,000	US\$83,040,000	51.26%
Valuework Investment Holdings Limited	US\$4,800,000	20%	US\$1,260,000	US\$26,340,000	US\$32,400,000	20.00%
SCG Capital Corporation Limited	US\$4,800,000	20%	US\$1,260,000	-	US\$6,060,000	3.74%
Shougang Holding	-	-	-	US\$40,500,000	US\$40,500,000	25.00%
Total	US\$24,000,000	100%	US\$6,300,000	US\$131,700,000	US\$162,000,000	100%

Jeckman Holdings Limited, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of the Company. Its principal activity is investment holding.

Valuework Investment Holdings Limited, a company incorporated in the BVI, is an indirect wholly-owned subsidiary of the Company. Its principal activity is investment holding.

SCG Capital Corporation Limited, a company incorporated in Hong Kong, is an indirect wholly-owned subsidiary of the Company. Its principal activity is investment holding.

The Capital Injection amount was arrived at after arm's length negotiations between the Company and Shougang Holding after taking into account the funding needs of South China Leasing under the Master Facilities Agreement as described below.

Financing for and use of proceeds from the Capital Injection

Since the Capital Injection is not conditional upon the Subscription Completion and/or the Placing Completion, in the event that the Subscription Completion and/or the Placing Completion cannot take place, the Company may seek bank borrowings and/or shareholder's loan for financing its funding needs under the Capital Injection.

The capital to be contributed by the Company and Shougang Holding under the Capital Injection Agreement shall be primarily applied by South China Leasing as general working capital of South China Leasing, including but not limited to financing the transactions under the Master Facilities Agreement.

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In the event that the Master Facilities Agreement cannot become unconditional, following the Capital Injection, South China Leasing may utilize the additional registered capital to develop and finance its finance lease business with Independent Third Parties and/or any connected persons of the Company. In case the Group enters into any connected transaction in future, the Company will comply with the relevant requirements under the Listing Rules accordingly.

Information on South China Leasing

South China Leasing, an indirect wholly-owned subsidiary of the Company, was established in the PRC. South China Leasing is principally engaged in the business of finance lease including the leasing of machinery and equipment in the PRC.

Following the Capital Injection, South China Leasing will remain a wholly foreign-owned enterprise and will become a non wholly-owned subsidiary of the Company. Based on the Group's unaudited carrying value of South China Leasing as at 31 December 2014 of approximately HK\$284,700,000, the Company's cash capital contribution of US\$91,200,000 (equivalent to approximately HK\$706,800,000) and the Group's 75% interest in enlarged net assets value of South China Leasing of approximately HK\$975,000,000, an unaudited loss of approximately HK\$16,500,000 is expected to accrue to the Group from the Capital Injection, which has been calculated with reference to the carrying value of South China Leasing based on its audited accounts for the year ended 31 December 2014. However, the actual gain or loss is subject to change upon the finalization of the financial statements of South China Leasing as at the completion date of the Capital Injection.

Financial Information on South China Leasing

The following sets out the financial information on South China Leasing for the financial years ended 31 December 2013 and 31 December 2014:

	For the financial year ended 31 December	
	2013	2014
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation	6,369	5,388
Net profit after taxation	4,699	4,063

Based on the audited accounts of South China Leasing prepared in accordance with the generally accepted accounting principles in the PRC, the audited net asset value of South China Leasing as at 31 December 2014 was approximately RMB212,299,000 (equivalent to approximately HK\$265,374,000).

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Listing Rules implications in relation to the Capital Injection

The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. Furthermore, since Shougang Holding is a controlling Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, the Capital Injection constitutes a connected transaction for the Company and is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Capital Injection Agreement and the transactions contemplated thereunder at the Special General Meeting.

As one or more of the applicable percentage ratios for the Capital Injection under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 75%, the Capital Injection constitutes a major transaction for the Company which is subject to announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reasons for entering into of the Capital Injection Agreement

As announced by the Company in its final results announcement for the year ended 31 December 2014, one of the Group's strategy in increasing revenue and profit of the Group is by strengthening its core business in finance leasing through devoting more resources in that sector. Due to the fluctuated credit environment in the PRC, the finance lease industry in the PRC is currently experiencing rapid growth. The Company intends to capture new business opportunities by broadening its pool of financial resources and by positioning the Group to be a sizeable market player in the finance lease industry. After the Capital Injection, the registered capital of South China Leasing will be increased to approximately RMB1 billion. According to the "Measures on Foreign Debts Registration and Administration" (外債登記管理辦法) issued by the SAFE, which took effect from 13 May 2013, the external borrowing amount of foreign invested finance lease companies is capped at 10 times to its net assets value. As such, while the net assets value of South China Leasing will be increased following the Capital Injection, its external borrowing capability can also be improved. As a result, the capability of South China Leasing to provide finance leases can be greatly enhanced and its business scale can be significantly enlarged. Thus, the Directors are of the view that the Capital Injection can reposition the Group as a sizeable market player in the finance lease industry.

4. MASTER FACILITIES AGREEMENT

On 26 March 2015 (after trading hours), the Company entered into the Master Facilities Agreement with Shougang Corporation, pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Corporation and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 (equivalent to approximately HK\$10,000,000,000) for a term of 3 years. The Facilities to be granted under the Master Facilities Agreement are non-revolving and subject to the Annual Caps. Details of the Master Facilities Agreement are set out below:

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The Master Facilities Agreement

Date

26 March 2015

Parties

- (1) The Company; and
- (2) Shougang Corporation.

Major terms of the Master Facilities Agreement

Subject matter : The Company may at its absolute discretion provide or procure its subsidiaries to provide the Facilities to Shougang Corporation and/or its subsidiaries (including direct and/or indirect subsidiaries) from time to time during the term of the Master Facilities Agreement.

The Company and/or its subsidiaries will finance the Facilities amount under the Master Facilities Agreement by bank borrowing and internal resources.

Term of the Master Facilities Agreement : A period of 3 years commencing from the Effective Date.

Principal amount of the Master Facilities Agreement : An aggregate principal amount of up to RMB8,000,000,000 (equivalent to approximately HK\$10,000,000,000). The Facilities are non-revolving.

The grant of the Facilities are subject to the Annual Caps and the outstanding balance of the Facilities owed by Shougang Corporation Group for each relevant year will not exceed RMB5,000,000,000.

Methods of provision of Facilities : The Facilities will be provided by the Company and/or its subsidiaries to Shougang Corporation and/or its subsidiaries by way of the following methods (the “**Loans**”, or each “**Loan**”):

- (a) entrusted payment (委托付款), in which the Company and/or its subsidiaries as lender being entrusted by a member of the Shougang Corporation Group as a borrower to make the payment on behalf of the borrower for procurement; and

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(b) finance lease.

The relevant parties will enter into a set of loan documents for each Loan (each a “**Loan Document**”) pursuant to the Master Facilities Agreement.

- Term of each Loan : The duration of each Loan will be negotiated on a case-by-case basis and each Loan shall expire within the 3-year period from the date of the relevant Loan Document.
- Guarantee and Security : Shougang Corporation will guarantee in favour of the Company and/or its subsidiaries in respect of the obligations of the relevant member(s) of the Shougang Corporation Group as the borrower(s) under each entrusted payment or as the lessee(s) under each finance lease.
- Conditions precedent of the Master Facilities Agreement : The passing of the relevant resolutions by way of poll at the Special General Meeting by the Independent Shareholders approving the Master Facilities Agreement and the transactions contemplated thereunder.

(A) Major terms of an entrusted payment:

- Entrusted payment amount : The Company and/or its subsidiaries may, at the request of the relevant member of the Shougang Corporation Group as the borrower, at its discretion make the payment to an intended payee on behalf of the borrower for procurement of the purchased items.
- The loan amount under each entrusted payment shall be equivalent to the purchase price of the purchased item, but in any event, shall not exceed the unutilized portion of the Facilities.
- Purchased items : The items to be used by Shougang Corporation and/or its subsidiaries in their respective ordinary course of business.
- Interest rate : The interest rate payable by the relevant borrower shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%. For illustration purpose, currently, the costs of lending in HK\$, US\$ and RMB are around 2.5%, 3% and 5% respectively. As such, it is expected that the interest rate to be charged on the relevant borrower will not be more than 10%.

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Repayment date of the entrusted payment and interest : Unless otherwise agreed, the repayment amount under each entrusted payment shall be repaid at the end of the term of the relevant entrusted payment and the interest accrued shall be paid on a quarterly basis (i.e. on the 21st day of March, June, September and December), but in any event, not later than the expiry date of the 3-year period from the date of the relevant Loan Document.

(B) Major terms of a finance lease:

Loan amount : The loan amount under each finance lease shall be equivalent to the purchase price of the lease items, but in any event, shall not exceed the unutilized portion of the Facilities.

Lease items : The lease items will be equipment and/or properties to be used by Shougang Corporation and/or its subsidiaries in their respective ordinary course of business.

Interest rate : The interest rate payable by the relevant lessee shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%. For illustration purpose, currently, the costs of lending in HK\$, US\$ and RMB are around 2.5%, 3% and 5% respectively. As such, it is expected that the interest rate to be charged on the relevant lessee will not be more than 10%.

Payment date of rental and interest : Unless otherwise agreed, the rental under each finance lease and the interest accrued shall be paid on a quarterly basis (i.e. on the 21st day of March, June, September and December), but in any event, not later than the expiry date of the 3-year period from the date of the relevant Loan Document.

Handling fee : The Company and/or its subsidiaries shall be entitled to charge the relevant lessee for each finance lease a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease.

Security deposit : The Company and/or its subsidiaries shall be entitled to a security deposit of not more than 5% of the loan amount under the finance lease to be made by the relevant lessee five Business Days before commencement of the relevant finance lease.

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Lessee's option to purchase : At the end of the finance lease, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

Basis of determination of the Facilities and the Annual Caps

The aggregate principal amount of the Facilities and the Annual Caps were determined after arm's length negotiation between the parties with reference to (i) the enhanced capability of South China Leasing to provide finance leases following the Capital Injection; (ii) the expansion plan of the Group; (iii) the Loans currently and preliminarily under negotiation between the Group and Shougang Corporation Group; and (iv) the financing needs of Shougang Corporation Group.

According to the "Report on the Development of the Finance Lease Industry in the PRC in 2013" (中國融資租賃發展報告2013年度) published by the Ministry of Commerce of the PRC, the finance lease industry was developing rapidly in 2013. During 2013, new finance leases in the PRC amounted to approximately RMB386.4 billion. The finance lease industry in the PRC continued to expand in 2014. According to the "Finance Lease Development Report 2014" (2014年融資租賃發展報告) published by the China Leasing Union (中國租賃聯盟), the outstanding amount of finance lease contracts in the PRC amounted to approximately RMB3,200 billion as at 31 December 2014, representing an increase of 52.4% as compared to that of approximately RMB2,100 billion as at 31 December 2013.

On 28 April 2013, the SAFE released the "Circular of the State Administration of Foreign Exchange on Promulgating the Measures for Administration of External Debt Registration" (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which came into effect from 13 May 2013. Under the new measures, the foreign debt registration regime has been improved by simplifying and clarifying the foreign debt registration procedures. On 12 May 2014, the "Circular of the SAFE on Releasing the Provisions on Foreign Exchange Administration for Cross-border Guarantees" (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) issued by the SAFE, which came into force from 1 June 2014, has improved the methods of foreign exchange administration for cross-border guarantees. The relaxation of these measures facilitates the operations of the Group as it would become easier for our PRC customers to obtain financing services from the Group while it would become easier for the Group to obtain guarantees from our PRC customers for our financing services.

The profit margin of the financing businesses of the Group is relatively low. Only by way of extending its business scale, the Group would be able to enjoy considerable amount of profit. Coupled with the growing market and the relaxation of the applicable measures as mentioned above, the Group intends to significantly extend its business scale within its capabilities. Besides, currently there are notable differences in the interest rates offered by the banks in Hong Kong and those in the PRC. This represents an opportunity to the Group as the Group is able to seek financing in Hong Kong while extending financing in the PRC so as to earn the spread. The Group intends to capture this opportunity to improve its profitability. Other than the regulations as stated in this circular, the Group is not aware of any other constraints which the Group is subject to under the current PRC measures in relation to the Group's business model to seek financing in Hong Kong and extend financing in the PRC.

LETTER FROM THE BOARD

Although the finance lease business carried out through South China Leasing is subject to the constraints under the current PRC measures as mentioned above, its entrusted payment business does not face the same constraints. The customers of the finance lease business and the entrusted payment business of the Group are of the same peers who are mainly enterprises in the PRC. Given that the Group can be funded by banks, the Group intends to expand its entrusted payment business aggressively with prudent risk management.

The business model of the entrusted payment business of the Group typically involves the following: (i) the funding will be obtained through bank loans in Hong Kong due to the lower interest rate as compared to that in the PRC; (ii) if it is so required by the underlying banks, the bank loans will be secured by guarantee or securities to be provided by our customers; (iii) the bank loans will be applied to pay for the purchased items for our customer; (iv) our customers will make repayments to the Group, which will be applied to repay the underlying bank loans. Under the entrusted payment arrangement, the Group can earn a net interest income which represents the difference in the borrowing cost of the Group and the interest income from our customer. The terms of the bank loan taken out by the Group and the terms of the facilities extended by the Group will be on a back-to-back basis so to minimize the risks of the Group.

On the other hand, the businesses of Shougang Corporation Group are capital intensive. According to the 2015 Prospectus, the fund raised from external borrowings of Shougang Corporation for the three financial years ended 31 December 2013 were approximately RMB87 billion, RMB99 billion and RMB88 billion. Shougang Corporation Group has huge funding demand and therefore, would seek financing services from the Group so as to achieve a win-win situation. As at the Latest Practicable Date, the Group has received proposals from Shougang Corporation Group to seek for finance lease services in an aggregate amount of approximately RMB1.6 billion.

Large scale corporations are one of the targeted customer groups for South China Leasing which enable South China Leasing to earn a stable revenue stream backing with strong assets base. Although the Group is committed to cultivate businesses with large scale Independent Third Parties, it will take time for the Group to build up its customer profile. Shougang Corporation Group is an immediately available targeted customer for the Group and the Loans made available to Shougang Corporation Group under the Master Facilities Agreement can demonstrate to the market the capabilities of the Group to provide large scale financing services, which in turn can help the Group to build up its customers profile.

Shougang Corporation Group is usually engaged in capital intensive projects. For such projects, the finance leases usually involve a relatively long duration and usually of a term of not less than 3 years.

The Master Facilities Agreement is for a fixed term of 3 years and the duration for each Loan under the Master Facilities Agreement shall not exceed 3 years from the date of the relevant Loan Document. As such, the Annual Caps of the Facilities will be for a maximum period of 6 years from the date of the Master Facilities Agreement.

LETTER FROM THE BOARD

The Annual Caps of the Facilities for the financial years ending 31 December 2015, 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 are RMB5,000,000,000, respectively, taken into account of the expected maximum outstanding balance of the Facilities owed by Shougang Corporation Group for each relevant year.

Having considered the above, the Directors (excluding Mr. Li Shaofeng, Mr. Luo Zhenyu and Mr. Wang Qinghua and excluding the independent non-executive Directors whose view are set out in the letter from the Connected Transaction IBC) are of the view that the amount of the Facilities and the Annual Caps were reasonable.

Rule 14A.35(1) of the Listing Rules provides that the term of an agreement governing a continuing connected transaction must not exceed three years, except in special circumstances which are limited to cases where the nature of the transaction requires the contract to be of a duration longer than three years. Accordingly, Messis Capital Limited has been appointed as the Independent Financial Adviser to advise on, including without limitation, the duration of the Loans to be entered into by the Group which may exceed the initial term of three years of the Master Facilities Agreement.

Basis of determination of the interest rate

The range of interest rate were determined after arm's length negotiation between the parties with reference to the prevailing market rate and a margin, which will be added to the cost of lending by the Company and/or its subsidiaries so as to ensure that the Company and/or its subsidiaries can earn a net income under the Master Facilities Agreement.

The actual interest rate to be charged by the Company and/or its subsidiaries under each Loan will be determined at the relevant time after taking into account of: (a) the prevailing market interest rate; and (b) the risk profile of the relevant entrusted payment or finance lease including the then business and financial conditions of the relevant member of the Shougang Corporation Group being the borrower or the lessee.

Information on Shougang Corporation

Shougang Corporation is a company established in the PRC and is the holding company of Shougang Holding. Shougang Corporation is a state-owned enterprise wholly-owned by Beijing Holders of State-owned Capital Management Centre (北京國有資本經營管理中心) which is in turn wholly-owned by Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會).

Shougang Corporation is one of the largest steel production enterprises in the PRC and is principally engaged in a wide range of business including steel and iron production, overseas business, property development, mining resources and other businesses.

LETTER FROM THE BOARD

Listing Rules implications in relation to the Master Facilities Agreement

As at the Latest Practicable Date, Shougang Holding is a controlling Shareholder which holds 430,491,315 Shares, representing approximately 37.36% of the issued share capital of the Company. Shougang Corporation is the holding company of Shougang Holding and hence, also a controlling Shareholder and connected person of the Company, the transactions contemplated under the Master Facilities Agreement constitute continuing connected transactions for the Company and therefore the Master Facilities Agreement is subject to the announcement, reporting and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Master Facilities Agreement, the transactions contemplated thereunder and the Annual Caps at the Special General Meeting.

As one or more of the applicable percentage ratios in respect of the Master Facilities Agreement is more than 100%, the Master Facilities Agreement constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules and therefore the Company is subject to the announcement, reporting and shareholders' approval requirements under the Listing Rules.

Reasons for entering into of the Master Facilities Agreement

The entering into of the Master Facilities Agreement is in the ordinary and usual course of business of the Company. The transactions contemplated under the Master Facilities Agreement will be mostly funded by bank borrowings and the terms will be basically on a back-to-back basis, so as to minimize the risks of the Company suffering from any fluctuations on its borrowing costs. It will also enable the Group to earn a net interest income under the Master Facilities Agreement.

The Group aims at sourcing customers in the finance lease segment with sufficient assets and good creditability, which can help safeguard credit risk of the Group. Shougang Corporation is rich in assets. As disclosed in the 2015 Prospectus, as at 31 December 2013, the net book value of the fixed assets of the Shougang Corporation Group was approximately RMB154.6 billion. Shougang Corporation also has a good credit history with good repayment capability. As such, Shougang Corporation is one of the target customers of the Group. The Master Facilities Agreement allows the Group to have the flexibility to provide financing services to a trusted customer group, being Shougang Corporation Group.

Having considered the above and those as disclosed in the paragraph headed "Policy and internal control mechanism of the Company", the Directors (excluding Mr. Li Shaofeng, Mr. Luo Zhenyu and Mr. Wang Qinghua and excluding the independent non-executive Directors whose view are set out in the letter from the Connected Transaction IBC) are of the view that the entering into of the Master Facilities Agreement is in the interest of the Company as a whole.

LETTER FROM THE BOARD

5. REASONS FOR ENTERING INTO OF THE AGREEMENTS

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

The commercial rationale of the Transactions is that: (a) firstly, the Subscription and the Placing present an opportunity for the Company to raise a substantial amount of funds from the equity market while broadening the shareholder and capital base of the Company. In addition, the Subscription and the Placing will provide the Group with additional funds to meet the funding needs for the Capital Injection; (b) secondly, the increase in the registered capital of South China Leasing after the Capital Injection will greatly strengthen its capital base as well as its borrowing power and thereby enabling South China Leasing to expand its business significantly in the finance lease market in the PRC, in order to take advantage of the fast growing sector under the current market conditions. In addition, the new shareholding structure of South China Leasing following the Capital Injection would be more conducive to the business cooperation between the Company and Shougang Corporation Group, and through the resulting synergy, further boost the competitive strengths of the Company and South China Leasing; and (c) thirdly, the potential return under the Master Facilities Agreement would be beneficial to the Group. In addition, the provision of the Facilities can demonstrate the capability of the Group in provision of sizeable financial services, which in turn may enable the Group to expand its businesses with targeted Independent Third Party customer.

The Directors (excluding Mr. Li Shaofeng, Mr. Luo Zhenyu and Mr. Wang Qinghua and excluding the independent non-executive Directors whose view are set out in the letters from the Connected Transaction IBC and the Whitewash Waiver IBC) are of the view that the terms of the Agreements have been negotiated on an arm's length basis and the terms of the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Policy and internal control mechanism of the Company

As a result of the transactions contemplated under the Master Facilities Agreement, there may be business risks associated with heavy reliance on Shougang Corporation Group which will become the single largest customer of the Group. As mentioned above, Shougang Corporation Group is a suitable customer of the Group. Furthermore, the Company and/or its subsidiaries have the absolute discretion on whether to provide the Loan under the Facilities at the relevant time. The management will conduct risk and return comparisons with other financing projects between the Group and Independent Third Parties. In the event that any of the Company or its subsidiaries considers that it is at the Group's disadvantage or risk to grant the Loan, it may at its absolute discretion refuse the provision of such Loan under the Facilities.

LETTER FROM THE BOARD

In assessing whether to provide each Loan under the Facilities, the Company will consider the following factors on a case by case basis: (i) whether there are other Independent Third Party customers with similar risk exposure who would like to seek finance under entrusted payment and/or finance lease arrangement from the Group at the relevant time; and (ii) whether the Group will be able to gain a better rate of return from such available customer(s) at the relevant time. If, at the relevant time, the Group can get a better rate of return from Independent Third Party customer(s), the Group will either (a) use its discretion not to grant the Loan under the Facilities to Shougang Corporation Group at the relevant time, and provide facilities to the Independent Third Party customer(s) instead or (b) ensure that the interest rate to be granted to Shougang Corporation Group under the relevant Loan will not be more favourable than those to Independent Third Party customer(s) so as to ensure that the rate of return of the Group is maximised.

In assessing the risk profile of the borrower in relation to each Loan, the Company will consider the following factors: (i) source of funds available for repayment, including the profitability and cash flow condition of the borrower/lessee; (ii) the convertibility and liquidity of the lease items as set out above when they are being sold in secondary markets to discharge the debt of the borrower/lessee; (iii) the risk level of the relevant industry of the borrower during the term of the entrusted payment or the relevant industry of the lessee during the term of the finance lease; and (iv) the general market conditions being faced by the Shougang Corporation Group. The Company will ensure that the interest rate granted to the Shougang Corporation Group will not be more favourable than the interest rate granted to Independent Third Party customer(s) based on the analysis of items (i) to (iv) above.

The transactions contemplated under the Master Facilities Agreement is subject to the review by the independent non-executive Directors on an annual basis, who will confirm in the annual report whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the Master Facilities Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. In addition, the transactions will also be subject to the review on an annual basis by the auditors of the Company, who will confirm to the Directors as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the board of Directors; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Annual Caps.

Going forward, the Group will continue to cultivate business relationships with new customers who are Independent Third Parties, for promoting business scale extension by capturing the recent favourable credit market conditions. The Company considers that the provision of the Facilities demonstrates to the market, the capability of the Group in engaging in sizeable financial services transactions which in turn may enable the Group to source similar transactions with Independent Third Party customers in the market. The Group intends to focus its resources to identify business opportunities with Independent Third Party customers in the following industry sectors which have huge external financing demand due to their respective industrial characteristics: (a) healthcare; (b) energy conservation and environmental protection; (c) new energy; (d) transportation; and (e) machinery and equipment manufacturing. In assessing the

LETTER FROM THE BOARD

viability of the respective business opportunities, the Group will evaluate the development prospect and industrial characteristics, such as the cashflow cycle of the various businesses and repayment structure of different finance projects.

The transactions under the Master Facilities Agreement will not occupy the human resource of the sales and marketing teams of the Group. The Group's sale and marketing teams will concentrate to source targeted Independent Third Party customers in the above five industry sectors. The Group intends to enhance its reputation through marketing activities such as participation in local trade unions, etc. and will also source new customers by visiting enterprises engaged in different industry sectors. Furthermore, the Group will continue to leverage on its established relationships with major banks in the PRC who will refer customers to the Group in circumstances where they have limitations or restrictions in extending credit by virtue of their scope of business or internal credit policies.

6. FINANCIAL EFFECT OF THE TRANSACTIONS

Capital Injection Agreement

Following the Capital Injection, the Group through its wholly-owned subsidiaries will hold 75% equity interest in South China Leasing. South China Leasing will cease to be a wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Company. The Group's net asset value based on the audited consolidated net asset value as at 31 December 2014 is expected to increase by approximately HK\$297,375,000, being the difference between the amount of the Capital Injection by Shougang Holding of US\$40,500,000 (equivalent to approximately HK\$313,875,000) and an unaudited loss on deemed disposal of approximately HK\$16,500,000, which has been calculated with reference to the carrying value of South China Leasing based on its audited accounts for the year ended 31 December 2014. However, the actual gain or loss to be charged to the Group as a result of the Capital Injection is subject to change upon the finalisation of the financial statements of South China Leasing as at the date of the Capital Injection.

The Company does not at present intend to dispose of its 75% equity interest in South China Leasing held by its wholly-owned subsidiaries.

Master Facilities Agreement

As (i) the interest rate to be charged on each of the Loans under the Master Facilities Agreement would be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%; and (ii) the Company and/or its subsidiaries shall be entitled to charge the relevant lessee for each finance lease under the Master Facilities Agreement a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease, the Group is able to earn a net income over the term of the Master Facilities Agreement. As such, the Directors consider that the entering into the Master Facilities Agreement will have positive impact on the earnings of the Group in a long run.

LETTER FROM THE BOARD

7. GENERAL

The Subscription Agreement is inter-conditional with the Placing Agreement but not the Capital Injection Agreement and the Master Facilities Agreement. Therefore, in the event that the Subscription Agreement and/or the Placing Agreement cannot be completed, the Capital Injection Agreement and the Master Facilities Agreement shall still continue according to their respective terms and conditions.

The Connected Transactions IBC has been established in compliance with the Listing Rules to consider the Agreements, the Transactions and the Annual Caps and advise the Independent Shareholders in relation to the Agreements, the Transactions and the Annual Caps. Messis Capital Limited has been appointed as Independent Financial Adviser to advise the Connected Transactions IBC and the Independent Shareholders in this regard, and such appointment has been approved by the Connected Transactions IBC.

The Whitewash Waiver IBC has been established in compliance with Rule 2.8 of the Takeovers Code to consider the Whitewash Waiver and advise the Independent Shareholders as to the Whitewash Waiver. Messis Capital Limited has been appointed as Independent Financial Adviser to advise the Whitewash Waiver IBC and the Independent Shareholders in this regard, and such appointment has been approved by the Whitewash Waiver IBC.

Mr. Li Shaofeng, a Director and also a director of Shougang Holding, has abstained from voting for the Board resolution for approving and entering into the Agreements, the Transactions, the Whitewash Waiver and the Annual Caps. Mr. Luo Zhenyu and Mr. Wang Qinghua, both Directors, have no material interests in the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver. However, for good corporate governance, Mr. Luo Zhenyu and Mr. Wang Qinghua, who may be considered related to Shougang Holding and/or Shougang Corporation, have abstained from voting for the Board resolutions for approving the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver.

Since the completion of each of the Subscription, the Placing, the Capital Injection and the Master Facilities Agreement are subject to the fulfilment of certain conditions, the Subscription, the Placing, the Capital Injection and/or the Master Facilities Agreement may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares. When in doubt, Shareholders and investors are recommended to consult their professional adviser(s).

8. SPECIAL GENERAL MEETING

A notice of the Special General Meeting is set out on pages 165 to 168 of this circular. In accordance with the requirements of the Listing Rules, all votes to be taken at the Special General Meeting will be by poll. Shougang Holding and its associates, who were interested in a total of 430,491,315 Shares and controlled the voting rights of such Shares which represented approximately 37.36% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting at the Special General Meeting on the resolutions in relation to (1) the Subscription Agreement and the Whitewash Waiver; (2) the Placing Agreement; (3) the Capital Injection Agreement; and (4) the Master Facilities Agreement and the Annual Caps. Save as disclosed above, no other Shareholder will be required to abstain from voting on the resolutions in respect of (1) the Subscription Agreement and the Whitewash Waiver; (2) the Placing Agreement; (3) the Capital Injection Agreement; and (4) the Master Facilities Agreement and the Annual Caps.

LETTER FROM THE BOARD

A form of proxy for the Special General Meeting is enclosed herewith. Whether or not you intend to attend and vote at the Special General Meeting in person, you are requested to complete the form of proxy and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as practicable but in any event no later than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjournment thereof should you so wish.

9. RECOMMENDATIONS

Your attention is drawn to (i) the letter from the Connected Transactions IBC set out on pages 38 to 39 of this circular which contains its recommendations to the Independent Shareholders on the Agreements, the Transactions and the Annual Caps; (ii) the letter from the Whitewash Waiver IBC set out on pages 40 to 41 of this circular which contains its recommendations to the Independent Shareholders on the Whitewash Waiver; and (iii) the letter from the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders as set out on pages 42 to 80 of this circular which contains, amongst other matters, its opinions in relation to the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver. Your attention is also drawn to the additional information set out in the appendices to this circular.

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Advisers) consider that the Subscription Agreement, the Placing Agreement, the Capital Injection Agreement, the Master Facilities Agreement and the Annual Caps, and the Whitewash Waiver are fair and reasonable and are in the interests of the Group and the Shareholders as a whole and accordingly recommend the Independent Shareholders to vote in favour of all the resolutions to be proposed at the Special General Meeting.

By Order of the Board
Shougang Concord Grand (Group) Limited
Li Shaofeng
Chairman

LETTER FROM THE CONNECTED TRANSACTIONS IBC

The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Connected Transactions IBC to the Independent Shareholders regarding the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement.



首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

26 May 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND
APPLICATION FOR WHITEWASH WAIVER
AND
(2) MAJOR AND CONNECTED TRANSACTION IN RESPECT OF
CAPITAL INJECTION OF EQUITY INTEREST IN A SUBSIDIARY
AND
(3) VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION INVOLVING
MASTER FACILITIES AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 26 May 2015 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been authorised by the Board to form the Connected Transactions IBC to advise the Independent Shareholders on whether, in our opinion, entering into (1) the Subscription Agreement and the transactions contemplated thereunder; (2) the Capital Injection Agreement and the transactions contemplated thereunder; and (3) the Master Facilities Agreement, the transactions contemplated thereunder and the Annual Caps, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. None of the members of the Connected Transactions IBC have any direct or indirect interest in the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement.

* *For identification purpose only*

LETTER FROM THE CONNECTED TRANSACTIONS IBC

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Connected Transactions IBC and the Independent Shareholders in this respect. We wish to draw your attention to the letter of advice from Mesis Capital Limited as set out on pages 42 to 80 of the Circular.

Your attention is drawn to the “Letter from the Board” set out on pages 7 to 37 of the Circular, which contains, among other things, details of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement and the transactions contemplated respectively and the “Letter from the Independent Financial Adviser” set out on pages 42 to 80 of the Circular, which contains the advice from the Independent Financial Adviser in respect of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement.

As the Connected transactions IBC, we have discussed with the management of the Company the reasons for entering into the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement, and the basis upon which the terms of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement have been determined and the major factors taken into account by the Company in arriving at the Annual Caps for the transactions contemplated under the Master Facilities Agreement. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinions regarding the terms of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement as set out in the “Letter from the Independent Financial Adviser” on pages 42 to 80 of the Circular, which we urge you to read carefully.

Having considered the advice given by the Independent Financial Adviser and key factors in arriving at its advice, we consider that each of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement was entered into in the ordinary and usual course of business and on normal commercial terms, or on terms no less favourable to the Group than terms available from independent third parties, and the terms of each of the Subscription Agreement, the Capital Injection Agreement and the Master Facilities Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions in respect of (1) the Subscription Agreement and the transactions contemplated thereunder; (2) the Capital Injection Agreement and the transactions contemplated thereunder; and (3) the Master Facilities Agreement, the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,

For and on behalf of the

Connected Transactions IBC of

Shougang Concord Grand (Group) Limited

Tam King Ching, Kenny

*Independent Non-executive
Director*

Zhou Jianhong

*Independent Non-executive
Director*

Yip Kin Man, Raymond

*Independent Non-executive
Director*

LETTER FROM THE WHITEWASH WAIVER IBC

The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Whitewash Waiver IBC to the Independent Shareholders regarding the Whitewash Waiver.



首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 730)

26 May 2015

To the Independent Shareholders

Dear Sir or Madam,

APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company to the Shareholders dated 26 May 2015 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been authorised by the Board to form the Whitewash Waiver IBC to advise the Independent Shareholders in respect of the Whitewash Waiver. None of the members of the Whitewash Waiver IBC have any direct or indirect interest in the Agreements, the Transactions, the Annual Caps and the Whitewash Waiver.

Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Whitewash Waiver IBC and the Independent Shareholders in this respect. We wish to draw your attention to the letter of advice from Messis Capital Limited as set out on pages 42 to 80 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 7 to 37 of the Circular, which contains, among other things, details of the Whitewash Waiver and the “Letter from the Independent Financial Adviser” set out on pages 42 to 80 of the Circular, which contains the advice from the Independent Financial Adviser in respect of the Whitewash Waiver.

As the Whitewash Waiver IBC, we have discussed with the management of the Company the reasons for and benefits of the Whitewash Waiver. We have also considered the key factors taken into consideration by the Independent Financial Adviser in forming its opinions regarding the Whitewash Waiver as set out in the “Letter from the Independent Financial Adviser” on pages 42 to 80 of the Circular, which we urge you to read carefully.

* For identification purpose only

LETTER FROM THE WHITEWASH WAIVER IBC

Having considered the advice given by the Independent Financial Adviser and key factors in arriving at its advice, we consider that the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the Special General Meeting in respect of the Whitewash Waiver.

Yours faithfully,

For and on behalf of the

Whitewash Waiver IBC of

Shougang Concord Grand (Group) Limited

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committees and the Independent Shareholders regarding (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor.



大有融資有限公司
MESSIS CAPITAL LIMITED

26 May 2015

*To: The Independent Board Committees and the Independent Shareholders of
Shougang Concord Grand (Group) Limited*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RESPECT OF
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND
APPLICATION FOR WHITEWASH WAIVER
AND
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
AND
(3) MAJOR AND CONNECTED TRANSACTION IN RESPECT OF
CAPITAL INJECTION OF EQUITY INTEREST IN A SUBSIDIARY
AND
(4) VERY SUBSTANTIAL ACQUISITION AND
CONTINUING CONNECTED TRANSACTION INVOLVING
MASTER FACILITIES AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committees and the Independent Shareholders in connection with the (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 26 May 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 26 March 2015 (after trading hours), the Company entered into (1) the Subscription Agreement with Shougang Holding pursuant to which Shougang Holding has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 920,000,000 new Shares at the Subscription Price of HK\$0.41 per Subscription Share to Shougang Holding; (2) the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 600,000,000 Placing Shares at the Placing Price of HK\$0.41 per Placing Share, to not less than six Placees; (3) the Capital Injection Agreement with Shougang Holding and South China Leasing, pursuant to which the Company and Shougang Holding have conditionally

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agreed that the Company (through its subsidiaries) and Shougang Holding shall inject capital of US\$97,500,000 (approximately HK\$755,625,000) by way of cash and/or transfer of undistributed profits and US\$40,500,000 (approximately HK\$313,875,000) in cash respectively into South China Leasing; and (4) the Master Facilities Agreement with Shougang Corporation, pursuant to which the Company has agreed to provide or procure its subsidiaries to provide the Facilities to Shougang Corporation in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years, such Facilities to be granted are non-revolving and are subject to the Annual Caps.

Assuming no further Shares will be issued by the Company prior to the completion of the Transactions, upon completion of the Transactions, (1) the interests of Shougang Holding (together with parties acting or presumed to be acting in concert with it) in the Company, will increase from approximately 37.36% to approximately 50.54% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares; (2) Shougang Holding will directly hold 25% of the registered capital of South China Leasing as enlarged by the Capital Injection; and (3) the Group's equity interest in South China Leasing will be reduced from 100% to 75%.

Shougang Holding (and parties acting or presumed to be acting in concert with it) will, in the absence of the Whitewash Waiver, be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them pursuant to Rule 26 of the Takeovers Code as a result of the Placing and the Subscription. Shougang Holding (and parties acting or presumed to be acting in concert with it) has applied to the Executive for the Whitewash Waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the Special General Meeting by way of poll. It is a condition precedent to completion of the Subscription that the Whitewash Waiver is granted by the Executive. The Subscription Agreement and the Placing Agreement are inter-conditional to each other. Although the Subscription Completion is not interconditional with the Placing Completion, it is expected that the Subscription Completion and the Placing Completion will take place on the same day.

The Capital Injection constitutes a deemed disposal for the Company under Rule 14.29 of the Listing Rules. As at the date of the Agreements, Shougang Holding (together with parties acting or presumed to be acting in concert with it) is a controlling Shareholder which holds 430,491,315 Shares, representing approximately 37.36% of the issued share capital of the Company. Since Shougang Holding (and parties acting or presumed to be acting in concert with it) is a controlling Shareholder and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules, each of the Capital Injection and the Subscription will constitute a connected transaction for the Company. As one of the applicable percentage ratios for the Capital Injection under Rule 14.07 of the Listing Rules exceeds 25% but all applicable percentage ratios are below 75%, the Capital Injection also constitutes a major transaction for the Company. As such, each of the Capital Injection and the Subscription shall be subject to the announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Master Facilities Agreement is more than 100%, the transactions under the Master Facilities Agreement will constitute a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules. Furthermore, as Shougang Corporation is the holding company of Shougang Holding, which in turn is a controlling Shareholder and connected person of the Company, the transactions under the Master Facilities Agreement also constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules. As such, the Master Facilities Agreement and the proposed annual caps therefor shall be subject to the announcement, reporting and independent shareholders' approval requirements of the Listing Rules.

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The Placing Shares will be allotted and issued under a specific mandate to allot, issue and deal with Shares by an ordinary resolution to be proposed for passing by the Independent Shareholders at the Special General Meeting.

Since Shougang Corporation or Shougang Holding is a party to the Transactions (other than the Placing) and the Subscription Agreement is inter-conditional with the Placing Agreement, Shougang Corporation, Shougang Holding (and parties acting or presumed to be acting in concert with it) and their associates are required to abstain from voting on the resolutions to be proposed at the Special General Meeting in relation to (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor.

The Connected Transactions IBC comprising all independent non-executive Directors, namely, Mr. Tam King Ching, Kenny, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond (together, the “INEDs”), has been established to advise the Independent Shareholders as to whether the terms of the (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. The Whitewash Waiver IBC comprising Mr. Leung Shun Sang, Tony, the non-executive Director, and the INEDs has been established in compliance with Rule 2.8 of the Takeovers Code to consider the Whitewash Waiver and advise the Independent Shareholders as to the Whitewash Waiver. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in these regards and to give our opinion in relation to the Transactions and the Whitewash Waiver for the Connected Transactions IBC and the Whitewash Waiver IBC’s consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company. During the last two years, we were appointed as an independent financial adviser for the Company regarding (i) a major and connected transaction; and (ii) a very substantial acquisition and continuing connected transaction of the Company, details of which are set out in the Company’s circular dated 28 October 2014. We were also engaged as independent financial advisers for BeijingWest Industries International Limited (stock code: 2339), a connected person of the Company, for two occasions as detailed in its circular dated 27 November 2014 and 19 January 2015. Notwithstanding the above, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

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BASIS OF OUR ADVICE AND RECOMMENDATIONS

In arriving at our recommendations, we have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company are true and accurate at the time they were made and will continue to be accurate as at the date of the despatch of the Circular. Should there be any material changes to our opinion after the despatch of the Circular, Shareholders would be notified as soon as possible. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties to the Transactions.

This letter is issued for the information of the Independent Board Committees and the Independent Shareholders solely in connection with their consideration of (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendations to the Independent Board Committees and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background information of the Group

1.1 Information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services and property investment and management. The business of the Group can be categorised into three business segments namely (i) finance leasing; (ii) property leasing and building management services; and (iii) assets management.

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The table below sets out the audited key financial information of the Group for the two years ended 31 December 2014 as extracted from the Company's annual report for the year ended 31 December 2013 (the "2013 Annual Report") and the Company's annual report for the year ended 31 December 2014 (the "2014 Annual Report"), respectively:

	For the year ended	
	31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	55,888	53,991
Gross profit	18,573	24,875
Profit for the year	6,527	10,122
	As at 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	595,899	597,692
Non-current assets	758,051	780,842
Total asset	1,353,950	1,378,534
Current liabilities	235,961	283,693
Non-current liabilities	251,194	214,668
Total liabilities	487,155	498,361
Total equity	866,795	880,173

Finance leasing was the largest business segment of the Group accounted for approximately 82.4% and 83.2% of its total revenue for the year ended 31 December 2013 and 31 December 2014, respectively.

According to the 2014 Annual Report, revenue of the Group for the year ended 31 December 2014 was approximately HK\$54.0 million, representing a slightly decrease of approximately 3.4% when compared with that of approximately HK\$55.9 million for the year ended 31 December 2013. The decrease was mainly attributable to the decrease in income from the Group's assets management and the finance leasing segments. The decrease in revenue from the finance leasing segment was mainly attributed to the changes in market environment that resulted in the decrease in interest rates earned from new projects.

The Group recorded a gross profit of approximately HK\$24.9 million for the year ended 31 December 2014, representing a gross profit margin of approximately 46.1%, which is an increase when compared with the gross profit margin of approximately 33.2% for the year 2013. As advised by the Directors, the improvement in gross profit margin was mainly due to increase in gross profit margin from the finance leasing segment.

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The Group recorded a profit for the year of approximately HK\$10.1 million for the year ended 31 December 2014, representing an increase of approximately 55.4% when compared with that of approximately HK\$6.5 million for the year ended 31 December 2013. The increase in profit for the year was mainly attributable to the higher gross profit from the finance leasing segment contributed by self-financed new projects.

Due to the nature of principal business of the Group on the provision of finance lease, short term and long term finance lease receivables are the key assets of the Group. As at 31 December 2014, short term and long term finance lease receivables amounted to approximately HK\$523.7 million, represented approximately 38.0% of the Group's total assets. The Group was in a liquid position with total cash (including bank balances and cash, structured deposits and restricted bank deposits) of approximately HK\$340.8 million and HK\$322.3 million as at 31 December 2013 and 2014, respectively, which represented approximately 39.3% and 36.6% of its total equity as at the respective year end. The decrease in total cash was mainly from net cash outflow from operating activities of approximately HK\$24.4 million netting off with the net bank loans raised of approximately HK\$4.5 million. The current ratio of the Group was 253% and 211% as at 31 December 2013 and 2014, respectively.

Total liabilities of the Group mainly comprised of long and short term bank borrowings which were principally utilised on the Group's finance lease projects. The total borrowings were amounted to approximately HK\$420.1 million and HK\$414.7 million as at 31 December 2013 and 2014, respectively, which represented approximately 86.2% and 83.2% of its total liabilities as at the respective year end. During the year ended 31 December 2014, the Group obtained new bank borrowings of approximately HK\$186.3 million for the finance leasing business of the Group. All loans bore interest at market rates. Notwithstanding, the Group was in a healthy gearing position with a net debt to total equity of approximately 10% and a net debt to total assets of approximately 7% as at 31 December 2014.

2. Background information of Shougang Corporation, Shougang Holding and South China Leasing

2.1 Information of Shougang Corporation

According to the "Prospectus in relation to the first phase raising of medium term note in 2015" (2015年度第一期中期票據募集說明書) as published by Shougang Corporation in March 2015 (the "2015 Prospectus"), being the latest public information of Shougang Corporation available, Shougang Corporation is a state-owned enterprise wholly-owned by Beijing Holders of State-owned Capital Management Centre (北京國有資本經營管理中心) which is in turn wholly-owned by Beijing Municipal People's Government State-owned Assets Supervision and Administration Commission (北京市國有資產監督管理委員會).

Shougang Corporation is one of the largest steel production enterprises in the PRC. According to the 2015 Prospectus, it had 85 principal subsidiaries as at 30 September 2014 which were engaging in a wide range of businesses including steel and iron production, overseas business, property development, mining resources and other businesses. It had over 120,000 staff as at 30 September 2014.

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As at 30 September 2014, total assets and net assets of Shougang Corporation amounted to approximately RMB408.2 billion and RMB110.2 billion, respectively. Shougang Corporation Group is a capital intensive company with total non-current assets of approximately RMB285.0 billion as at 30 September 2014, approximately 52.9% of which (i.e. approximately RMB150.9 billion) were the net book value of fixed assets. Steel and iron production was the largest business segment of Shougang Corporation which accounted for approximately 59.9% of its total revenue for the 9 months ended 30 September 2014.

2.2 Information of Shougang Holding

Shougang Holding, a company incorporated in Hong Kong, is a wholly-owned subsidiary of Shougang Corporation. Shougang Holding is engaged in investment holding, property investment and provision of management services.

As at the date of the Agreements, Shougang Holding (together with parties acting or presumed to be acting in concert with it) hold 430,491,315 Shares, representing approximately 37.36% of the issued share capital of the Company.

2.3 Information of South China Leasing

South China Leasing, an indirect wholly-owned subsidiary of the Company, was established in the PRC. South China Leasing is principally engaged in the business of finance lease including the leasing of machinery and equipment in the PRC. It is the principal arm of the Group in conducting finance lease business.

Following the Capital Injection, South China Leasing will remain a wholly foreign-owned enterprise and will become a non wholly-owned subsidiary of the Company.

3. Reasons of the Subscription, the Placing, the Capital Injection and the entering into of the Master Facilities Agreement

3.1 Reasons for the Subscription, the Placing and the Capital Injection

As set out in the Letter from the Board, the gross proceeds from the Subscription are expected to be approximately HK\$377,200,000. After deducting related professional fees and all related expenses of about HK\$500,000 which will be borne by the Company under the Subscription, the net proceeds of the Subscription will amount to approximately HK\$376,700,000. The gross proceeds from the Placing are expected to be approximately HK\$246,000,000. After deducting related professional fees and all related expenses of about HK\$5,000,000 which will be borne by the Company under the Placing, the net proceeds of the Placing will amount to approximately HK\$241,000,000. The Group intends to apply all of the net proceeds of HK\$617,700,000 in aggregated from the Subscription and the Placing to the Capital Injection. In the event that the Capital Injection cannot become unconditional, the net proceeds from the Subscription and the Placing will be utilised for the Group's entrusted payment business.

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The capital to be contributed by the Company and Shougang Holding under the Capital Injection Agreement shall be primarily applied by South China Leasing as general working capital of South China Leasing, including but not limited to financing the transactions under the Master Facilities Agreement. The capital injection amount was arrived at after arm's length negotiations between the Company and Shougang Holding after taking into account the funding needs of South China Leasing.

The Subscription and the Placing present an opportunity for the Company to raise a substantial amount of funds from the equity market while broadening the shareholder and capital base of the Company. In addition, it will provide the Group with additional funds to meet the funding needs for the Capital Injection. Following the Capital Injection, the registered capital of South China Leasing will increase from US\$24 million to US\$162 million. The increase in the registered capital of South China Leasing after the Capital Injection will greatly strengthen its capital base as well as its borrowing power and thereby enabling South China Leasing to expand its business significantly in the finance lease market in the PRC, in order to take advantage of the fast growing sector given the current market conditions. In addition, the new shareholding structure of South China Leasing following the Capital Injection would be more conducive to the business cooperation between the Company and Shougang Corporation Group, and through the resulting synergy, further boost the competitive strengths of the Company and South China Leasing.

3.2 Recent finance lease market in the PRC

As advised by the Directors, the Subscription, the Placing and the Capital Injection are proposed with an aim to expand the Group's principal business on finance lease in the PRC to cater for the recent expansion in the PRC finance lease industry. According to the 2013 China Finance Lease Development Report (中國融資租賃業發展報告2013) (the "**2013 Development Report**") published by the Ministry of Commerce of the PRC, the finance lease industry was developing rapidly in 2013. The reported number of finance lease companies reached 1,086 as at 31 December 2013, represented a sharp increase of 75.4% as compared with 2012. Among which 963 of the finance lease company were foreign invested enterprises. The total registered capital and total assets of finance lease companies in the PRC amounted to approximately RMB288.4 billion and RMB872.5 billion, respectively. During 2013, the new finance leases in the PRC amounted to approximately RMB386.4 billion.

The finance lease industry in the PRC continued to expand in 2014. According to the "Chinese Finance Leasing Industry Development Report 2014" (2014年中國融資租賃業發展報告) published by the China Leasing Alliance (中國租賃聯盟)¹, the outstanding amount of finance lease contracts in the PRC amounted to approximately RMB3,200 billion as at 31 December 2014, representing an increase of 52.4% as compared to that of approximately RMB2,100 billion as at 31 December 2013. The number of finance lease companies in the PRC doubled to over 2,200 as at 31 December 2014.

On 28 April 2013, the SAFE released the "Circular of the State Administration of Foreign Exchange on Promulgating the Measures for Administration of External Debt Registration" (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which came into effect from 13 May 2013. Under the new measures, the foreign debt registration regime has been improved by simplifying and clarifying the foreign

¹ According to the website of China Leasing Alliance (www.zgzllm.com), it has been formed by 42 organisation and enterprises in the finance lease industry since 2006.

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debt registration procedures. On 12 May 2014, the “Circular of the SAFE on Releasing the Provisions on Foreign Exchange Administration for Cross-border Guarantees” (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) issued by the SAFE, which came into force from 1 June 2014, has improved the methods of foreign exchange administration for cross-border guarantees. The relaxation of these measures facilitates the operations of the Group as it would become easier for its PRC customers to obtain financing services from the Group while it would become easier for the Group to obtain guarantees from its PRC customers for its financing services.

Given the existing growing market trend in the finance lease industry in the PRC, the Directors believe that it is in the interests of the Company to explore additional financial resources in order to cater for business opportunities in its finance lease business and to strengthen the Group’s market position to compete against the growing number of competitors in the market. The Company therefore proposed the Subscription, the Placing and the Capital Injection to increase the registered capital of South China Leasing from approximately US\$24,000,000 (equivalent to approximately RMB148.8 million) to US\$162,000,000 (equivalent to approximately RMB1,004.4 million) for its business expansion in the financial services sector.

According to the 2013 Development Report, the distribution of foreign invested finance lease companies in the PRC in terms of registered capital as at 31 December 2013 is set out below:

Registered Capital	Number of foreign invested finance lease company	%
Below RMB170 million	523	54.3%
Equal to RMB170 million to below RMB500 million	343	35.6%
Equal to RMB500 million to below RMB2,000 million	92	9.6%
Equal to or over RMB2,000 million	5	0.5%
Total	963	100%

As shown in the above table, majority of the foreign invested finance lease companies in the PRC were of relatively smaller in scale with approximately 54.3% of the foreign invested finance lease companies were with registered capital below RMB170 million. Only approximately 10.1% of these companies were of registered capital equal to or more than RMB500 million. The completion of the Subscription, the Placing and the Capital Injection will result in increasing the registered capital of South China Leasing to approximately RMB1,004.4 million and hence, in the view of Directors, can reposition the Group as a sizeable market player in the finance lease industry.

As advised by the Directors, it is the usual practice of the Group to fund its finance lease business through its internal resources and/or borrowings from financial institutions. The increase in registered capital of South China Leasing after the completion of the Subscription, the Placing and the Capital Injection will strengthen the borrowing power of South China Leasing. According to the “Measures for Administration of External Debt Registration” (外債登記管理辦法) issued by the State Administration of Foreign Exchange (國家外匯管理局), which took effect from 13 May 2013, the external borrowing amount of foreign invested finance lease companies is capped at 10 times to its net assets value. As such, the Directors expect that the net assets value of South China Leasing will be increased upon the Capital

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Injection and its external borrowing capability will be improved accordingly. The capability of South China Leasing to provide finance leases can be greatly enhanced and its business scale can be significantly enlarged.

We note from the 2013 Development Report that financial institutions were the principal funding sources of finance lease companies in the PRC. In 2013, about 71.0% of the finance lease companies were financed through bank financing and about 5.0% of the finance lease companies were financed through capital injections from shareholders. As such, the Group's future expected funding to be sourced by way of the Capital Injection and the borrowings from external financial institutions are hence in line with the general market practices.

Having considered the above, in particular that, (i) the use of proceeds of the Subscription and the Placing and the Capital Injection is for the expansion of the Group's principal business; (ii) the recent finance lease market in the PRC is experiencing growing in trend; (iii) the increase in registered capital of South China Leasing through the Capital Injection will strengthen its competitiveness in the finance lease market in the PRC; (iv) the Capital Injection will likely to increase the net assets value of South China Leasing, which in turn will strengthen its borrowing capability for its business expansions; and (v) it is the common market practice in the industry to fund the finance lease businesses through bank financings and capital injections, we concur with the Directors' view that the Subscription, the Placing and the Capital Injection are in the interests of the Company and its Shareholders as a whole.

3.3 Reasons for the entering into of the Master Facilities Agreement

Finance Leasing is the principal business of the Group. As set out in the 2014 Annual Report, it is the business plan of the Group to devote more resources to existing finance leasing sector for promoting business scale extension and specialisation by taking advantage of its cross boarder business network among overseas and the PRC. The Group targets to provide supporting financial services to enterprises and further explore innovative financial services products with an aim to boosting the development of the Group's core and new business and achieving maximised synergies. On the other hand, the Group will continue to strengthen internal risk management mechanism in the finance leasing segment and promote business development in the context of effective risk control based on the characteristics of the economic development of various industries. We are advised by the Directors that the entering into of the Master Facilities Agreement is in line with the Group's corporate strategy and business plan as stated in the 2014 Annual Report.

As advised by the Directors, the Group's target customers in the finance leasing segment are generally enterprises located in the PRC which are capable to provide it with sufficient capital assets as collaterals. Given the principal business of Shougang Corporation as one of the largest steel production enterprises in the PRC, Shougang Corporation is capital intensive in nature with net book value of fixed assets of approximately RMB150.9 billion as at 30 September 2014 as set out in the 2015 Prospectus. The Directors therefore consider that Shougang Corporation is a target customer of the Group.

As set out in the Letter from the Board, the Directors also consider that the entering into of the Master Facilities Agreement demonstrates the capability of the Group in handling financial services transactions that are sizeable in scale, which will enable the Group to source similar transactions with independent third-party customers in the future. Going forward, the Group will continue to cultivate

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business relationships with new customers who are Independent Third Parties, for promoting business scale extension by capturing the recent favourable credit market conditions. The Company considers that the provision of the Facilities demonstrates to the market, the capability of the Group in engaging in sizeable financial services transactions which in turn may enable the Group to source similar transactions with Independent Third Party customers in the market.

The Directors consider that the entering into of the Master Facilities Agreement is in the ordinary and usual course of business of the Group and is under normal commercial terms, and will enable the Group to earn a net income. As (i) the interest rate to be charged on each of the Loans under the Master Facilities Agreement would be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%; and (ii) the Company and/or its subsidiaries shall be entitled to charge the relevant lessee for each finance lease under the Master Facilities Agreement a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease, the Group is able to earn a net income over the term of the Master Facilities Agreement.

As set out in the Letter from the Board, the Directors considered that the profit margin of the financing businesses of the Group was relatively low. Only by way of extending its business scale, the Group would be able to enjoy considerable amount of profit. Coupled with the growing market and the relaxation of the applicable measures as mentioned above, the Group intends to significantly extend its business scale within its capabilities. The Directors also considered that currently there are notable differences in the interest rates offered by the banks in Hong Kong and those in the PRC. This represents an opportunity to the Group as the Group is able to seek financing in Hong Kong while extending financing in the PRC so as to earn the spread. The Group intends to capture this opportunity to improve its profitability. Although the finance lease business carried out through South China Leasing is subject to the constraints under the current PRC measures as mentioned above, its entrusted payment business does not face the same constraints. The customers of the finance lease business and the entrusted payment business of the Group are of the same peers who are mainly enterprises in the PRC. Given that the Group can be funded by banks, the Group intends to expand its entrusted payment business aggressively with prudent risk management.

We have reviewed the terms of the Bank Supported Comparables during the Facilities Review Period (as defined in the paragraph headed “6.2 Interest rate” below) and we noted that the Company was able to secured bank borrowings from financial institutions in Hong Kong with lending costs lower than those financed in the PRC. As such, we concur with the Directors’ view that given the multiple channels of financing the Group is having in the PRC and in Hong Kong, the Group is able to compare its lending costs in the PRC and Hong Kong from time to time and thus manage to offer competitive interest rates to its finance lease customers, including Shougang Corporation Group.

As set out in the Letter from the Board, the Master Facilities Agreement allows the Group to have the flexibility to provide services to a trusted customers group, being Shougang Corporation Group. The Directors are of the view that strong background of Shougang Corporation will assist in safeguarding the risk in relation to the Master Facilities Agreement. In particular, pursuant to the Master Facilities Agreement, Shougang Corporation will provide a guarantee in favour of the Company and/or its subsidiaries in respect of the obligations of the relevant member(s) of Shougang Corporation Group as the borrower(s) under each entrusted payment or as the lessee(s) under each finance lease.

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As advised by the Directors, the Company and/or its subsidiaries and the relevant member of Shougang Corporation Group will enter into separate agreement specifying specific terms such as the principal amount, interest rate, repayment term, purchased/lease items before each of the drawdown under the Facilities. The business model of the entrusted payment business of the Group typically involves the following: (i) the funding will be obtained through bank loans in Hong Kong due to the lower interest rate as compared to that in the PRC; (ii) if it is so required by the underlying banks, the bank loans will be secured by guarantee or securities to be provided by its customers; (iii) the bank loans will be applied to pay for the purchased items for its customer; (iv) its customers will make repayments to the Group, which will be applied to repay the underlying bank loans. Under the entrusted payment arrangement, the Group can earn a net interest income which represents the difference in the borrowing cost of the Group and the interest income from its customer. The terms of the bank loan taken out by the Group and the terms of the facilities extended by the Group will be on a back to back basis so to minimise the risks of the Group.

Having considered that (i) it is the principal business of the Group to provide financial services to its customers, in particular that finance leasing segment accounted for majority of the Group's revenue; (ii) Shougang Corporation is a target customer of the Group and the Group is able to earn a net income over the term of the Master Facilities Agreement; and (iii) the provision of the Facilities can demonstrate the capability of the Group in engaging in sizeable financial services transactions, which in turn may enable the Group to expand its businesses with targeted Independent Third Party customers, we concur with the view of the Directors that the transactions contemplated under the Master Facilities Agreement are in the ordinary and usual course of business of the Group and that the entering of the Master Facilities Agreement is in the interests of the Company and the Shareholders as a whole.

4. The Subscription, the Placing and the Whitewash Waiver

4.1 Principal terms of the Subscription Agreement and Placing Agreement

Pursuant to the Subscription Agreement, Shougang Holding have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue in aggregate 920,000,000 new Shares at the Subscription Price of HK\$0.41 per Subscription Share to Shougang Holding. The Subscription Completion is subject to the Placing Agreement having become unconditional and various conditions set out in the section headed "Conditions precedent to the Subscription" in the Letter from the Board.

Pursuant to the Placing Agreement, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 600,000,000 Placing Shares at the Placing Price of HK\$0.41 per Placing Share to not less than six Placées. The Placing Completion is subject to the Subscription Agreement having become unconditional and various conditions set out in the section headed "Conditions precedent to the Placing" in the Letter from the Board.

4.2 The Subscription Price and the Placing Price

Each of the Subscription Price and the Placing Price is fixed at HK\$0.41 per Share, which represents:

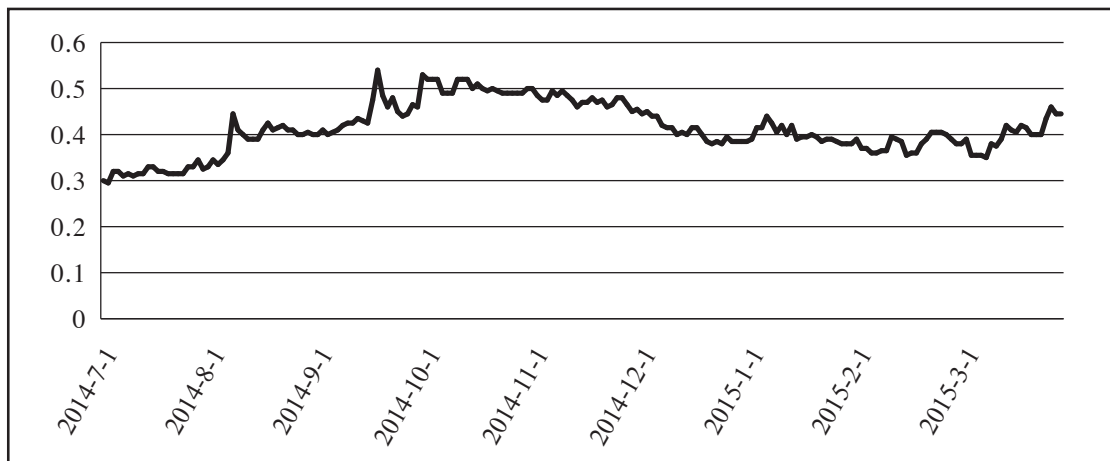
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- (i) a discount of approximately 7.87% of the closing price of HK\$0.445 per Share as quote on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 6.18% of the average closing price of approximately HK\$0.437 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date; and
- (iii) a discount of approximately 3.07% of the average closing price of approximately HK\$0.423 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date.

As advised by the Directors, the Subscription Price and the Placing Price was determined after arm's length negotiations between the Company and Shougang Holdings or the Placing Agent with reference to, among other matters, the prevailing market prices and the recent trading performance of the Shares.

4.3 Historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price and the Placing Price, we have reviewed the daily closing price of the Shares (the “Closing Price”) for a period from 1 July 2014 to the Last Trading Day (i.e. 26 March 2015) (the “Market Review Period”). We consider a period of approximately 9 months is long enough to capture the recent price movements of the Shares so that a reasonable comparison between the Closing Price, the Subscription Price and the Placing Price is able to be conducted. Set out below is the Closing Price as quoted from the Stock Exchange.



Source: Website of the Stock Exchange (www.hkex.com.hk)

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As shown in the above chart, it is noted that the Closing Price shows an upward trend since 1 July 2014 and reached the highest of HK\$0.54 on 16 September 2014. The Closing Price maintained at a relatively stable level at around HK\$0.50 until 4 November 2014. On 6 August 2014, the Company announced that it was not aware of any reason for the increase in price. On 28 August 2014, the Company published its interim results announcement and showed that its profit for the six months ended 30 June 2014 increased by approximately 84.5% as compared with the same period in 2013. On 16 September 2014, the Company announced the Company is in negotiations with subsidiaries of Shougang Corporation in relation to the possible provision of finance lease and/or loan facility by the Company to subsidiaries of Shougang Corporation. The negotiations were concluded and subsequently announced by the Company on 30 September 2014, 10 October 2014 and 23 October 2014 respectively.

Subsequent to 6 November 2014, the Closing Price moved downwards gradually. The Closing price maintained at the level between HK\$0.35 and HK\$0.46 since 1 December 2014 and up to the Last Trading Date. On the Last Trading Date, the Company published its annual results announcement and showed that its profit for the year ended 31 December 2014 increased by approximately 55.1% as compared with the same period in 2014.

Given the Closing Price demonstrated a relatively stable trend for months since 1 December 2014 to the date before the publication of the Announcement, we concur with the view of the Directors that it is fair and reasonable to determine the Subscription Price and the Placing Price with reference to the recent market price and trading performance of the Shares.

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4.4 Historical trading volume of the Shares

The table below sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of the month/period during the Market Review Period:

Month	Total trading volume	Number of trading days	Average daily trading volume of the Shares (Note 1)	Percentage of average daily trading volume of the Shares to the total number of issued Shares as at the end of the month/period
2014				
July	6,714,360	22	305,198	0.026%
August	100,630,000	21	4,791,905	0.416%
September	129,117,369	21	6,148,446	0.534%
October	19,638,500	21	935,167	0.081%
November	16,034,000	20	801,700	0.070%
December	16,673,000	21	793,952	0.069%
2015				
January	7,191,500	21	342,452	0.030%
February	7,156,000	18	397,556	0.035%
March (Up to and including the Last Trading Day)	49,424,000	19	2,601,263	0.226%
Mean of average daily trading volume (Note 2)			1,916,189	0.166%

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period excluding any trading day on which the trading of the Shares was suspended for the whole trading day.
2. Mean of daily trading volume is calculated by dividing the total trading volume of the Shares (i.e. 352,578,729) from July 2014 to March 2015 (up to and including the Last Trading Day) by the total number of trading days in the same period (i.e. 184).

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As illustrated in the table above, the average daily trading volume of the Shares during the Market Review Period recorded the lowest of 305,198 Shares in July 2014 and the highest of 6,148,446 Shares in September 2014, representing approximately 0.026 % and 0.534 % respectively of the total number of issued Shares as at the end of the month. The relatively active in trading of Shares in September 2014 was in line with upward moving trend of the Closing Price.

The mean of the daily trading volume during the Market Review Period was 1,916,189 Shares, representing 0.166 % of the total number of issued Shares as at the end of the month/period respectively. We noted that both the highest and the mean of average daily trading volume are below approximately 0.39%, which is the liquidity ratio based on the average daily turnover to the total market capitalization of the Hong Kong stock market in December 2014 as extracted from the Hong Kong Exchange Fact Book 2014, we consider that the trading volume of the Shares is relatively thin during the Market Review Period. The low liquidity of the Shares may imply that it is difficult for the Company to raise fund with large size through equity fundraising activities due to lack of interested potential investors. In this regards, we concur with the view of the Directors that it is in the interests of the Company to raise fund for the expansion of its business through the Subscription and the Placing.

4.5 Market comparable analysis

In order to further assess the fairness and reasonableness of the terms of the Subscription and the Placing, we have identified 14 transactions (the “**Market Comparables**”) in relation to subscriptions involving issue of new shares by companies listed on the Stock Exchange which would trigger mandatory general offer but applied for whitewash waiver and announced from 1 July 2014 up to the date of the Subscription Agreement (i.e. 26 March 2015). We believe that the samples represent the latest available information in the market and the Market Comparables are exhaustive as far as we are aware and hence fair and representative. We have compared the respective terms of the Market Comparables with the Subscription, details of which are set out in the table below:

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Set out below are the details of the Market Comparables:

Company	Date of announcement	Premium/ (Discount) of subscription price over/to closing price on the last trading day prior to the release of the announcement (approximately %)	Premium/ (Discount) of subscription price over/to closing price of the last five trading days prior to the release of the announcement (approximately %)	Premium/ (Discount) of subscription price over/to closing price of the last ten trading days prior to the release of the announcement (approximately %)
Ko Yo Chemical (Group) Limited (stock code: 827)	14/8/2014	(41.8)	(28.3)	(25.4)
China Financial International Investments Limited (stock code: 721)	4/9/2014	(66.7)	(65.4)	(63.9)
Changfeng Axle (China) Company Limited (stock code: 1039)	10/10/2014	(29.0)	(23.3)	(21.4)
Nanjing Sample Technology Company Limited (stock code:1708)	21/10/2014	(11.4)	(7.2)	(7.1)
China Star Cultural Media Group Limited (stock code: 8172)	18/12/2014	(71.4)	(64.3)	(63.5)
CSR Corporation Limited (stock code: 1766) (Note 1)	30/12/2014	13.3	N/A	N/A
China Taifeng Beddings Holdings Limited (stock code: 873)	7/1/2015	(26.8)	(25.9)	N/A

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Company	Date of announcement	Premium/ (Discount) of subscription price over/to closing price on the last trading day prior to the release of the announcement (approximately %)	Premium/ (Discount) of subscription price over/to closing price of the last five trading days prior to the release of the announcement (approximately %)	Premium/ (Discount) of subscription price over/to closing price of the last ten trading days prior to the release of the announcement (approximately %)
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd (stock code: 0874) (Note 2)	12/1/2015	28.1	26.0	N/A
Good Fellow Resources Holdings Limited (stock code: 109)	29/1/2015	(31.4)	(20.8)	(20.6)
Jin Cai Holdings Company Limited (stock code: 1250)	2/2/2015	(43.6)	(41.9)	(38.8)
Bestway International Holdings Limited (stock code: 718)	27/2/2015	(51.3)	(43.0)	(37.9)
South East Group Limited (stock code: 726)	9/3/2015	(42.9)	(35.1)	N/A
Simsen International Corporation Limited (stock code: 993)	23/3/2015	(83.9)	(83.7)	N/A
Chiho-Tiande Group Limited (stock code: 976)	27/3/2015	33.9	55.9	65.6
	Average	(30.4)	(27.5)	(23.7)
	Maximum	33.9	55.9	65.6
	Minimum	(83.9)	(83.7)	(63.9)
The Company		(7.9)	(6.2)	(3.1)

Source: Website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. As stated in the announcement of CSR Corporation Limited dated 30 December 2014, the subscription prices represent a premium to the price of the H share and A share. The premium to the price of the H share is adopted only in this analysis.
2. As stated in the announcement of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd dated 12 January 2015, the subscription prices represent a premium to the price of the H share and A share. The premium to the price of the H share is adopted only in this analysis.

As shown on the above table, the subscription prices of 11 out of the 14 Market Comparables are set at discounts to relevant market prices. The subscription price of the Market Comparables (a) as compared to their respective closing price on the last trading day or date of agreement ranges from a discount of approximately 83.9% to a premium of approximately 33.9%, with an average of a discount of approximately 30.4%; (b) as compared to the last five trading days prior to the release of the announcement ranges from a discount of approximately 83.7% to a premium of approximately 55.9%, with an average of a discount of approximately 27.5%; (c) as compared to last ten trading days prior to the release of the announcement ranges from a discount of approximately 63.9% to a premium of approximately 65.6%, with an average of a discount of approximately 23.7%. The discount represented by the Subscription Price to the closing price of the Shares on each of (a) the Last Trading Day, (b) the last five trading days prior to the release of the announcement and (c) the last ten trading days prior to the release of the announcement is less than the average discount and within the range of discounts of the Market Comparables.

Based on the above, despite of the Subscription Price and the Placing Price representing discounts to the market price of Shares, given that (i) the discount represented by the Subscription Price to the closing price of the Shares on each of (a) the Last Trading Day, (b) the last five trading days prior to the release of the announcement and (c) the last ten trading days prior to the release of the announcement is less than the average discount and within the range of discounts of the Market Comparables; and (ii) the thin trading volume of the Shares during the Market Review Period and hence the low liquidity of the Shares, we consider that the Subscription Price is fair and reasonable.

The Placing price is the same as the Subscription Price and the key terms of the Placing Agreement is similar to the Subscription Agreement, except for the Placees are Independent Third Parties. As such, based on the above comparable analysis on the Subscription Price, we also consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned.

4.6 *Financing alternatives of the Company*

As advised by the Directors, the Company has considered other financing alternatives for the business expansions of the Company including debt financing and other forms of equity financing such as rights issue. However, the Directors are of the view that the Subscription and the Placing are the appropriate means.

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(i) Debt financing

As advised by the Director, raise funds by way of debt financing would incur interest burden to the Group, which would affect the Group's performance and the Group may subject to, including but not limited to, lengthy due diligence and negotiations with banks regarding the Group financial performances and the prevailing market condition. Moreover, due to the business nature of the Group, the Group may require bank borrowings from time to time to support its finance lease business. Raise funds through debt financing may lower the Group's future borrowing capability and hence may affect the Group's competitiveness on securing new finance lease projects. In addition, since the net aggregate proceeds from the Subscription and the Placing, after the deduction of related expenses, of approximately HK\$617.7 million is relatively significant comparing to the net asset of the Company of HK\$880.2 million as at 31 December 2014, the Directors consider that it would be difficult to have financial institute willing to undertake debt financing for the Group of a similar scale in full.

(ii) Other form of equity financing

We are advised by the Directors that although rights issue would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, given the uncertainty in recent stock market sentiment and the net aggregate proceeds from the Subscription and the Placing, after the deduction of related expenses, of approximately HK\$617.7 million being relatively significant comparing to the net asset of the Company of HK\$880.2 million as at 31 December 2014, the Directors consider that the Group may have difficulties in identifying independent institutional underwriter(s) for rights issue of more favourable terms than those under the Subscription and the Placing and of a similar scale. Even if the Company is able to engage an underwriter, (i) the amount of funds raised is uncertain unless the rights issue is fully underwritten; (ii) the costs for underwriting, if an underwriter can be identified, are comparatively higher than that of the Subscription and the Placing as a result of the higher costs involved with rights issue attributable to a higher rate of underwriting commission for rights issue payable to underwriter(s) as compared with nil commission fee payable for the Subscription and the comparatively low underwriting commission fee charged by the Placing Agent for the Placing; and (iii) the discount on the Shares to be issued under rights issue would be generally larger than that on the Subscription Shares and/or the Placing Shares, considering that the magnitude of discount for the issue of the Subscription Shares and the Placing Shares are low when compared with the current market price of the Shares.

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As advised by the Directors, in considering the financing alternative for the Subscription and the Placing, the Company has approached two potential underwriters for the rights issue to be proposed by the Company for fundraising prior to the entering into of the Agreements. However, no agreement was concluded between the Company and these potential underwriters. We have identified 50 transactions in relation to rights issue announced by companies listed on the Stock Exchange from 1 July 2014 up to the date of the Agreements and we note that the subscription prices of 42 out of 50 of these transactions were at a larger discount than the Subscription Price and the Placing Price, ranged from a discount of 8.7% to a discount of 89.1% over the respective last trading days. Given the Subscription Price and the Placing Price were at a slight discounts to the closing prices in the manner as set out in paragraph “4.5 Market comparable analysis” above, it is understandable that the Company may have difficulties in procuring commercial underwriting or if rights issue is proposed by the Company, the terms of which may be less favourable than the Subscription and the Placing.

After considering (i) the Company’s intended use of proceeds of the Subscription and the Placing as discussed in the sections headed “Reasons for the entering into of the Subscription Agreement and the Placing Agreement” and “Use of proceeds from the Subscription” and “Use of proceeds from the the Placing” in the Letter from the Board; (ii) the possible drawbacks to the operations and performances of the Group in case of raising fund through debt financing; and (iii) difficulties in procuring commercial underwriting and the likely of less favourable terms in the case of rights issue, we concur with the view of Directors that the Subscription and the Placing will benefit the Company’s long-term development and broaden the Company’s equity base, offers a good opportunity to raise additional funds to maintain the cash flow position of the Group and further strengthen its financial position. Therefore, we consider that the Subscription and the Placing are fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned.

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4.7 Potential dilution effect on the interests of other public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the date of Latest Practicable Date; and (ii) immediately following both the Subscription Completion and Placing Completion (assuming that there is no change in the issued share capital of the Company other than the issue of both the Subscription Shares and Placing Shares since the date of the Subscription Agreement and the Placing Agreement and up to both of the Subscription Completion and Placing Completion):

Shareholders	As at the Latest Practicable Date		Immediately following both Subscription Completion and Placing Completion	
	Number of Shares	(approximately %)	Number of Shares	(approximately %)
Shougang Holding (together with any persons acting or presumed to be acting in concert with it) (Notes 1 and 2)	430,491,315	37.36	1,350,491,315	50.54
CK Hutchison Holdings Limited ("CK Hutchison") (Note 3)	133,048,717	11.55	133,048,717	4.98
Directors				
Wang Tian (Note 4)	4,000,000	0.35	4,000,000	0.15
Yuan Wenxin (Note 4)	4,000,000	0.35	4,000,000	0.15
Leung Shun Sang, Tony (Note 5)	8,278,000	0.71	8,278,000	0.31
Sub-total	16,278,000	1.41	16,278,000	0.61
Placees (Note 6)	–	–	600,000,000	22.45
Other public Shareholders	572,374,437	49.68	572,374,437	21.42
Total	1,152,192,469	100	2,672,192,469	100

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Notes:

1. Shougang Holding through Wheeling Holdings Limited, a wholly-owned subsidiary of Shougang Holding, holds 430,491,315 Shares.
2. Mr. Li Shaofeng, who is an executive Director and a director of Shougang Holding, holds 11,000,000 share options of the Company, which confer him the rights to subscribe for 11,000,000 Shares upon exercise of the subscription rights attached to such share options.
3. CK Hutchison indicated in its disclosure form dated 23 March 2015 (being the latest disclosure form filed as at the Latest Practicable Date) that as at 18 March 2015, 91,491,193 Shares were held by Max Same Investment Limited, an indirect wholly-owned subsidiary of CK Hutchison and 41,557,524 Shares were held by Botany Limited which in turn was indirectly held as to 87.5% by CK Hutchison. Accordingly, CK Hutchison was interested in an aggregate of 133,048,717 Shares.
4. Mr. Wang Tian and Mr. Yuan Wenxi are executive Directors.
5. Mr. Leung Shun Sang, Tony is a non-executive Director.
6. The Placees and (where a corporation) their respective ultimate beneficial owner(s) are, as far as the Placing Agent is aware, will not be connected persons of the Company and will be independent of and not connected with the Company and its connected persons. It is expected that none of them will become a substantial Shareholder immediately after the Placing Completion.

As at the Latest Practicable Date, the Company has a total of 134,738,000 outstanding share options which entitles the holders of the share options to subscribe for 134,738,000 new Shares.

As shown in the above table, upon the Subscription Completion and Placing Completion and assuming that there is no other change in the issued share capital of the Company, the shareholding of the existing public Shareholders will be diluted from 49.68% to 21.42%. Although the dilution of shareholdings itself is not favourable to the Independent Shareholders, the Independent Shareholders should note that the Company will be benefited from the Subscription and the Placing as a whole having considered that (i) the Group intends to apply the net proceeds from the Subscription and Placing to the Capital Injection; (ii) the Capital Injection would provide additional funds for South China Leasing to strengthen its financial positions and competitiveness in the finance lease market in the PRC; (iii) the financing alternatives for the Capital Injection considered by the Directors; (iv) the Group has not carried out any fund raising activities during the 12 months immediately preceding the date of the Latest Practicable Date; and (v) the discount of the Subscription Price to the market price of the Company is less than the average discount and within the range of the Market Comparables, we consider that the dilution effect is acceptable.

4.8 The Whitewash Waiver

Under Rule 26 of the Takeovers Code, any person holds not less than 30%, but not more than 50%, of the voting rights of a company and that person acquires additional voting rights and such acquisition has the effect of increasing that person's holding of voting rights of the company by more than 2% from the lowest percentage holding of that person in the 12 month period ending on and inclusive of the date of the relevant acquisition will trigger an obligation on that person to make a general offer for all the securities of the issuer other than those already owned or agreed to be acquired by that person, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the Special General Meeting by way of poll.

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Upon the Subscription Completion and the Placing Completion and assuming that there is no other change in the issued share capital of the Company, the shareholding of Shougang Holding (together with parties acting or presumed to be acting in concert with it) will increase from approximately 37.36% of the issued share capital of the Company as at the Latest Practicable Date to approximately 50.54% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares. As such, under Rule 26.1 of the Takeovers Code, Shougang Holding (and parties acting or presumed to be acting in concert with it) is required to make a mandatory general offer for all the issued Shares (other than these Shares already owned or agreed to be acquired by it) unless the Whitewash Waiver is obtained. In this regard, an application has been made by Shougang Holding to the Executive for the granting of the Whitewash Waiver in respect of the issue of the relevant Subscription Shares to it pursuant to Note 1 to Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the Special General Meeting by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of Shougang Holding (and any party acting or presumed to be acting in concert with it) in the Company upon the issue of the Subscription Shares and the Placing Shares will exceed 50%. Shougang Holding (and any party acting in concert with it) may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

Despite of the Subscription Price and the Placing Price representing discounts to the market price of Shares and the dilution effect on the shareholdings of the Independent Shareholders in the Company as a result of the Subscription and the Placing, taking into account that (i) the financing alternatives for the Capital Injection considered by the Directors; (ii) the historical low trading volume of the Shares; (iii) the discount of the Subscription Price to the market price of the Company is less than the average discount and within the range of the Market Comparables; and (iv) if the Whitewash Waiver is not approved by the Independent Shareholders or not granted by the Executive, Shougang Holding (and any party acting in concert with it) has to comply with the provisions of the Takeovers Code including but not limited to the making of a general offer under Rule 26.1 of the Takeovers Code which is relatively costly and time consuming, we consider that since the grant of the Whitewash Waiver is one of the conditions precedent to the completion of the Subscription and the Subscription Agreement having become unconditional is one of the conditions precedent to the completion of the Placing, failure in obtaining grant of the Whitewash Waiver may result in lapse of the Subscription and the Placing. As such, we are of the view that the grant of the Whitewash Waiver is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

5. The Capital Injection

5.1 Background and key terms of the Capital Injection

On 26 March 2015, the Company, Shougang Holding and South China Leasing entered into the Capital Injection Agreement, pursuant to which the Company and Shougang Holding have conditionally agreed that the Company (through its subsidiaries) shall inject capital of US\$97,500,000 (approximately HK\$755,625,000) and Shougang Holding shall inject cash of US\$40,500,000 (approximately HK\$313,875,000) into South China Leasing.

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Subject to the fulfillment of the conditions precedent to the Capital Injection, the Company shall procure Jeckman Holdings Limited, Valuework Investment Holdings Limited and SCG Capital Corporation Limited to transfer their respective undistributed profit of South China Leasing, based on their respective proportion of equity interest in South China Leasing. Jeckman Holdings Limited and Valuework Investment Holdings Limited will make additional capital contribution in cash respectively to South China Leasing. Details of their contributions to the registered capital of South China Leasing under the Capital Injection Agreement are set out below:

Shareholders of South China Leasing	Transfer of undistributed profits (approximately US\$)	Additional cash capital contribution (approximately US\$)
Jeckman Holdings Limited	3,780,000	64,860,000
Valuework Investment Holdings Limited	1,260,000	26,340,000
SCG Capital Corporation Limited	1,260,000	–
Shougang Holding	–	40,500,000
Total	6,300,000	131,700,000

Immediately prior to the completion of the Capital Injection, South China Leasing is an indirect wholly-owned subsidiary of the Company. Following the Capital Injection, Shougang Holding will hold 25% of the enlarged registered capital of South China Leasing and the Company's equity interest in South China Leasing will be reduced from 100% to 75%. The below table set forth the capital contribution and shareholding of South China Leasing immediately prior to and after the Capital Injection:

	Immediately prior to the Capital Injection		Immediately after the Capital Injection	
	Capital contribution (US\$)	Shareholding	Capital contribution (US\$)	Shareholding
The Company's wholly-owned subsidiaries:				
Jeckman Holdings Limited	14,400,000	60%	83,040,000	51.26%
Valuework Investment Holdings Limited	4,800,000	20%	32,400,000	20%
SCG Capital Corporation Limited	4,800,000	20%	6,060,000	3.74%
	24,000,000	100%	121,500,000	75%
Shougang Holding	Nil	Nil	40,500,000	25%
Total	24,000,000	100%	162,000,000	100%

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The Capital Injection amount was arrived at after arm's length negotiations between the Company and Shougang Holding after taking into account the funding needs of South China Leasing under the Master Facilities Agreement. Since the Capital Injection is not conditional upon the Subscription Completion and the Placing Completion, in the event that Subscription Completion and/or the Placing Completion cannot take place, the Company may seek bank borrowings and/or shareholder's loan for financing its funding need under the Capital Injection.

5.2 Loss from the Deemed Disposal

As set out in the Letter from the Board, a deemed disposal loss of approximately HK\$16.5 million is expected to be charged to the Group as a result of the Capital Injection. However, the actual gain or loss to be charged to the Group as a result of the Capital Injection is subject to change upon the finalization of the financial statements of South China Leasing as at the Completion Date.

Having considered (i) the deemed disposal in a non-cash and non-recurring item to the Group's financial statement; (ii) the reasons and benefits as set out in the paragraph headed "3. Reasons of the Subscription, the Placing, the Capital Injection and the entering into of the Master Facilities Agreement" in this letter; and (iii) the shareholding interests are contributed in proportion to the registered capital injection; we concur with the Directors' view that loss from deemed disposal is acceptable and the terms of the Capital Injection is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Master Facilities Agreement

6.1 Key terms of the Master Facilities Agreement

On 26 March 2015, the Company entered into the Master Facilities Agreement with Shougang Corporation pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, the Facilities to Shougang Corporation and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years from the Effective Date. The duration of each entrusted payment and each finance lease will be negotiated on a case-by-case basis and each of which shall expire by the end of the 3-year period from the Effective Date. The Facilities to be granted are non-revolving and are subject to the Annual Caps.

Pursuant to the Master Facilities Agreement, the Facilities shall be provided to Shougang Corporation Group by way of (i) entrusted payment; and/or (ii) finance lease. The relevant parties will enter into a set of Loan Documents for each Loan pursuant to the Master Facilities Agreement. The key terms thereof are set out below:

(A) Major terms of the Facilities:

Subject matter : The Company may at its absolute discretion provide or procure its subsidiaries to provide the Facilities to Shougang Corporation and/or its subsidiaries (including direct and/or indirect subsidiaries) from time to time during the term of the Master Facilities Agreement.

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The Company and/or its subsidiaries will finance the Facilities amount under the Master Facilities Agreement by bank borrowing and internal resources.

Term : A period of 3 years commencing from the Effective Date.

Principal amount : An aggregate principal amount of up to RMB8,000,000,000 (equivalent to approximately HK\$10,000,000,000). The Facilities to be granted are non-revolving.

The grant of the Facilities are subject to the Annual Caps and the outstanding balance of the Facilities owed by Shougang Corporation Group for each relevant year will not exceed RMB5,000,000,000.

Term of each Loan : The duration of each Loan will be negotiated on a case-by-case basis and each Loan shall expire within the 3-year period from the date of the relevant Loan Document.

Guarantee and Security : Shougang Corporation will guarantee in favour of the Company and/or its subsidiaries in respect of the obligations of the relevant member(s) of Shougang Corporation Group as the borrower(s) under each entrusted payment or as the lessee(s) under each finance lease.

Conditions precedent : The passing of the relevant resolutions by way of poll at the Special General Meeting by the Independent Shareholders approving the Master Facilities Agreement and the transactions contemplated thereunder.

(B) Particular major terms of the entrusted payment:

Entrusted payment amount : The Company and/or its subsidiaries may, at the request of the relevant member of Shougang Corporation Group as the borrower, at its discretion make the payment to an intended payee on behalf of the borrower for procurement of the purchased items.

The loan amount under each entrusted payment shall be equivalent to the purchase price of the purchased item, but in any event, shall not exceed the unutilised portion of the Facilities.

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- Purchased items : The items to be purchased overseas and to be used by Shougang Corporation and/or its subsidiaries in their respective ordinary course of business.
- Interest rate : The interest rate payable by the relevant borrower shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%. For illustration purpose, currently, the costs of lending in HK\$, US\$ and RMB are around 2.5%, 3% and 5% respectively. As such, it is expected that the interest rate to be charged on the relevant borrower will not be more than 10%.
- (C) Major terms of the finance lease:
- Loan amount : The loan amount under each finance lease shall be equivalent to the purchase price of the lease items, but in any event, shall not exceed the unutilized portion of the Facilities.
- Lease items : The lease items will be equipment and/or properties to be used by Shougang Corporation and/or its subsidiaries in their respective ordinary course of business.
- Interest rate : The interest rate payable by the relevant lessee shall be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%. For illustration purpose, currently, the costs of lending in HK\$, US\$ and RMB are around 2.5%, 3% and 5% respectively. As such, it is expected that the interest rate to be charged on the relevant lessee will not be more than 10%.
- Handling fee : The Company and/or its subsidiaries shall be entitled to charge the relevant lessee for each finance lease a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease.
- Security deposit : The Company and/or its subsidiaries shall be entitled to a security deposit of not more than 5% of the loan amount under the finance lease to be made by the relevant lessee five Business Days before commencement of the relevant finance lease.
- Lessee's option to purchase : At the end of the finance lease, the relevant lessee will have the right to purchase the lease items at a nominal purchase price equal to 0.01% of the loan amount of the finance lease.

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In assessing the fairness and reasonableness of the key terms of the Master Facilities Agreement, we have considered the following:

6.2 *Interest rate*

In assessing the fairness and reasonableness on the interest rate chargeable to Shougang Corporation under the Master Facilities Agreement, we have reviewed the terms of all entrusted payment and finance lease transactions conducted by the Group from 1 January 2013 up to 26 March 2015, being the date of the Master Facilities Agreement (the “**Facilities Review Period**”). The terms of the entrusted payment and the finance lease transactions of the Group may change over time to reflect the latest market situation and are affected by many factors including, the fluctuation of the interest rates, the monetary policy of the government in the PRC and Hong Kong and economic situation, etc.. Therefore, in determining the period to be covered for the Facilities Review Period, we have selected two latest full financial years of the Group up to the date of Master Facilities Agreement as the Facilities Review Period and we are of the view that the terms of the transactions conducted in the Facilities Review Period represent the latest market information for our analysis in this letter.

During the Facilities Review Period, we note that the Group has conducted (a) 44 finance lease transactions with customers who are independent third parties (the “**Third Parties Comparables**”); (b) one finance lease transaction with 首鋼貴陽特殊鋼有限責任公司 (Shougang Guiyang Special Steel Co., Ltd.*) (“**Shougang Guiyang**”), a company established in the PRC and a non wholly-owned subsidiary of Shougang Corporation, in which Shougang Corporation holds 66.68% of its equity interests; and (c) one entrusted payment transaction with 首鋼水城鋼鐵(集團)有限責任公司 (Shougang Shuicheng Gangtie (Group) Co., Ltd.*) (“**Shougang Shuicheng**”), a company established in the PRC and a non wholly-owned subsidiary of Shougang Corporation, in which Shougang Corporation holds 61.06% of its equity interests. Out of which (a) 11 finance lease transactions with independent third parties; (b) the finance lease transaction with Shougang Guiyang and (c) the entrusted payment transaction with Shougang Shuicheng were supported through bank borrowings. For the purpose of our analysis, we only compare the terms of transactions with independent third parties that were supporting through bank borrowings (the “**Bank Supported Comparables**”) with that of the Master Facilities Agreement.

Moreover, as the transactions contemplated under the Master Facilities Agreement shall be substantially/fully funded by bank borrowings and the interest rates chargeable to Shougang Corporation under the Master Facilities Agreement will be determined based on the Group’s cost of lending of each transaction contemplated under the Master Facilities Agreement with a mark-up of 1% to 5%, we have compared the terms of the transactions under the Master Facilities Agreement to the Bank Supported Comparables in our analysis in considering whether the mark-up is fair and reasonable.

Pursuant to the Master Facilities Agreement, the interest for each of the entrusted payment and finance lease transactions will be determined at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%. For illustration purpose, currently, the costs of lending in HK\$, US\$ and RMB are around 2.5%, 3% and 5% respectively. As such, it is expected that the interest rate to be charged on the relevant lessee will not be more than 10%.

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As set out in the Letter from the Board, the range of interest rate to be charged on the transactions contemplated under the Master Facilities Agreement were determined after arm's length negotiation between the parties with reference to the prevailing market rate and a margin will be added to the cost of lending by the Group so as to ensure that the Company and/or its subsidiaries can earn a net income under the Master Facilities Agreement.

The exact interest rate to be charged by the Group under the individual entrusted payment or the finance lease will be determined at the relevant time after taking into account of: (a) the prevailing market interest rate; and (b) the risk profile of the entrusted payment or finance lease including the then business and financial conditions of the relevant member(s) of Shougang Corporation Group being the borrower or the lessee. In assessing the risk profile of the loan, the following factors will be considered: (i) source of funds available for repayment, including the profitability and cash flow condition of the borrower/lessee; (ii) the convertibility and liquidity of the lease items when they are being sold in secondary markets to discharge the debt of the borrower/lessee; (iii) the risk level of the relevant industry of the borrower during the term of the entrusted payment or the relevant industry of the lessee during the term of the finance lease; (iv) the risk and return comparisons of other financing projects between the Company and/or its subsidiary and other borrowers who are independent third parties; and (v) the general market conditions that will be faced by Shougang Corporation Group. The Group will ensure that the interest rate charged on the loans will be no less favourable than the loans granted to independent third parties based on the analysis of items (i) to (v) above.

As advised by the Directors, the Company has adopted policy and internal control mechanism on risk and return comparison for project evaluation which applied to all financing projects. Such policy and/or internal control mechanism includes (i) the assessment of risk profile of the borrower to be conducted by the risk management department and (ii) the review by the risk management committee of the Company which is comprised of senior management personnel and executive Directors. In evaluating projects, factors to be considered includes, but not limited to, the borrower's and/or guarantor's financial position, the industry prospect for which the borrower and/or guarantor operating, the convertibility and liquidity of lease assets, the convertibility and liquidity of collateral provided, repayment term and return.

As stated in the Letter from the Board, in assessing whether to provide each Loan under the Master Facilities Agreement and to ensure that the interest rate to be charged by the Company and/or its subsidiary of each of the transactions contemplated under the Master Facilities Agreement will not be on terms more favourable to Shougang Corporation than those granted to independent third parties, the Company will further consider the following factors on a case by case basis: (i) whether there are other Independent Third Party customers with similar risk exposure who would like to seek finance under entrusted payment and/or finance lease arrangement from the Group at the relevant time; (ii) whether the Group will be able to gain a better rate of return from such available customer(s) at the relevant time. If, at the relevant time, the Group can get a better rate of return from Independent Third Party customer(s), the Group will either (i) use its discretion not to grant the Loan under the Facilities to Shougang Corporation Group at the relevant time, and provide facilities to the Independent Third Party customer(s) instead or (ii) ensure that the interest rate to be granted to Shougang Corporation Group under the relevant Loan will not be more favourable than those to Independent Third Party customer(s) so as to ensure that the rate of return of the Group is maximised. The risk management committee prepares report on transactions contemplated under the Master Facilities Agreement to the audit committee of the Company comprising all independent non-executive Directors on a semi-annual basis. For the purpose of the Master Facilities

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Agreement, given the transactions contemplated thereunder will constitute connected transactions to the Company, an addition report will be prepared and reviewed by the audit committee.

Having considered that (i) the Group has long established policy and internal control mechanism in assessing the terms and conditions of each finance lease and/or entrusted payment transactions; and (ii) senior management and executive Directors are involved in the review and approval process, we therefore concur with the view of the Directors that adequate internal control procedures are in place to ensure that the actual interest rate to be charged will be in accordance with the Group's pricing policy and that such interest rate will be no less favourable than those granted to the independent third party customers of the Group.

Pursuant to the Master Facilities Agreement, the Group is able to enjoy an interest rate spread of 1.0% to 5.0% for each entrusted payment transaction or finance lease transaction to be entered into. We note that the interest rate spread of the Bank Supported Comparables ranged from 0.5% to 2.62% with 7 transactions at interest rate spread between 0.5% to 1% and 4 transactions at interest rate spread larger than 1% and up to 2.62%. The minimum interest rate spread to be enjoyed under the Master Facilities Agreement (i.e. 1%) is therefore within the range of the Bank Supported Comparables. As advised by the Directors, the actual interest rates spread for each particular transactions are determined under arm's length negotiation with the borrower, with reference to overall risk assessment on that particular transaction, after considering the background, credibility and size of operation of the borrower and the extent of guarantee and collateral provided. As the Master Facilities Agreement will cover a term of 3 years, we concur with the Directors' view that setting the maximum interest rate spread of 5%, although higher than the actual maximum spread of the Bank Supported Comparables, would provide the Group with flexibility and safeguard the interests of the Shareholders. We note that the minimum interest rate spread to be enjoyed by the Group under the Master Facilities Agreement in line with the Bank Supported Comparables and the Group is able to enjoy a reasonable margin under the Master Facilities Agreement at a spread no less favourable to that the Group normally charges to its independent third party customers. Having considered that (i) there is adequate internal control policy to be taken place by the Group to determine the exact interest rate to be offered to each transaction contemplated under the Master Facilities Agreement; (ii) the minimum interest rate spread to be enjoyed by the Group is comparable to those as offered to independent third party customers of the Group, we concur with the view of the Directors that the interest rate to be charged under the Master Facilities Agreement is no less favourable than those as offered to the Group's independent third party customers, on normal commercial term and are fair and reasonable so far as the Independent Shareholders are concerned.

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6.3 Handling fees and security deposits for finance lease transactions

We are given to understand from the Directors that handling fees and security deposits are common terms for finance lease transactions as offered by the Group. The handling fee is for the services provided by the Group in assessing the feasibility of conducting the relevant finance lease transactions. As advised by the Directors, the handling fees and level of security deposits are determined by the Group on a case-by-case basis and will in any event with reference to the rates as offered by the Group to its independent third-party customers. Pursuant to the Master Facilities Agreement, the handling fees and security deposits to be charged by the Group will be not more than 1.5% and 5% of the principal amount under the finance lease, respectively, which is the same as the Group's historical finance lease transaction with Shougang Corporation Group. It is the Group's normal practice that the handling fees are charged at a rate of 1.5% to the principal amount of each finance lease transaction. Such rate is adjustable depending on various factors, including the level of services as provided by the Group and the risk exposures of the finance lease transactions.

We have reviewed the handling fees and security deposits as charged on other finance lease transactions conducted by the Group to other independent third party customers during the Facilities Review Period. We note that majority of the handling fee charged at a rate ranging from nil to 3%, with an exception of one transaction of 7.5%. As advised by the Directors, the high handling fee of this particular transaction was due to the fact that no security deposit was provided by these customers. We also note that majority of the security deposit charged at a rate ranging from nil to 5%, with exception of two transactions of 10%. As advised by the Directors, the high security deposits of these two particular transactions were due to the fact that no handling fees were provided by this customer.

Having considered that the handling fees and security deposited to be chargeable under the Master Facilities Agreement are in line with the Group's normal practice and the rates of which are within the range as normally offered to other independent third-party customers, we therefore concur with the view of the Directors that the handling fees and security deposits to be charged under the Master Facilities Agreement are no less favourable than those as offered to the Group's independent third-party customers on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

6.4 Guarantee

Pursuant to the Master Facilities Agreement, Shougang Corporation will provide a guarantee in favour of the Company and/or its subsidiaries in respect of the obligations of the relevant member(s) of Shougang Corporation Group as the borrower(s) under each entrusted payment or as the lessee(s) under each finance lease.

As advised by the Directors, the guarantee provided under Shougang Corporation is relatively sizable as compared to the corporate guarantees and/or personal guarantees for the Third Parties Comparables, as such the Directors believed that the guarantee provided by Shougang Corporation will assist in safeguarding the risk in relation to the Master Facilities Agreement.

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Having considered, (i) the strong background of Shougang Corporation set out in paragraph headed “2.1 Information of Shougang Corporation” in this letter; and (ii) the background of Shougang Corporation in providing the guarantee as compared to the Third Parties Comparables, we concur with the view of the Directors that adequate guarantee has been sought to secure the interests of the Group under the Master Facilities Agreement.

6.5 Annual caps

The annual caps for the transactions contemplated under the Master Facilities Agreement for each of the financial years ending 31 December 2015, 31 December 2016 and 31 December 2017 are RMB5,000,000,000, respectively, taken into account of the expected maximum outstanding balance of the Facilities owed by Shougang Corporation Group for each relevant year. As set out in the Letter from the Board, the aggregate principal amount of the Facilities and the Annual Caps were determined after arm’s length negotiation between the parties with reference to (i) the enhanced capability of South China Leasing to provide finance leases following the Capital Injection; (ii) the expansion plan of the Group; (iii) the Loans currently and preliminarily under negotiation between the Group and Shougang Corporation Group; and (iv) the financing needs of Shougang Corporation Group.

According to the 2015 Prospectus, Shougang Corporation Group is a capital intensive company with total assets and net assets amounted to approximately RMB408.2 billion and RMB110.2 billion as at 30 September 2014, respectively. We note that the principal amount of the Facilities of RMB8 billion and the Annual Caps of RMB5 billion only represents approximately 5.3% and 3.3% of the carrying value of the fixed assets of Shougang Corporation Group of RMB150.9 billion as at 30 September 2014, respectively. The 2015 Prospectus also stated the fund raised from external borrowings of Shougang Corporation for the three financial years ended 31 December 2013 were approximately RMB87 billion, RMB99 billion and RMB88 billion. The Directors considered that Shougang Corporation Group has huge funding demand and therefore, would seek financing services from the Group so as to achieve a win-win situation. As set out in the Letter from the Board, as at the date of the Announcement, the Group has received proposals from Shougang Corporation Group to seek for finance lease services in an aggregate amount of approximately RMB1.6 billion. We have obtained a copy of such proposals and noted that such proposals of an aggregate amount of RMB1.6 billion were provided by two subsidiaries of Shougang Corporation and the lease items under the proposed finance leasing services would be equipment and/or properties.

Having considered (i) the basis of determination of the annual caps; (ii) the potential demand on finance lease of Shougang Corporation Group based on its capital intensive nature, huge historical funding raised from external borrowings and preliminary proposals for finance leasing services of RMB1.6 billion; (iii) and the strong background of Shougang Corporation as set out in the paragraph headed “2.1 Information of Shougang Corporation” in this letter; and (iv) the reasons as set out in the paragraph headed “3.3 Reasons for the entering into of the Master Facilities Agreement” in this letter, the we are of the view that the annual caps in respect of the Master Facilities Agreement is fair and reasonable and in the interest of the Company and its shareholders as a whole.

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6.6 *Term*

The term of the Master Facilities Agreement is for a period of 3 years commencing from the Effective Date. Such that the duration of each Loan will be negotiated on a case-by-case basis and each Loan shall expire within the 3-year period from the date of the relevant Loan Document. In other words, pursuant to the Master Facilities Agreement, the Company and/or its subsidiaries may enter into Loan Document with Shougang Corporation and/or its subsidiaries during the 3 years period from 2015 to 2018 and the Loans would expire by 2021 the latest.

We note that the finance lease transactions entered into between the Group and other independent third parties during the Facilities Review Period ranges from 6 to 60 months, and most commonly set for a period of 36 months. The term of the finance lease transaction and entrusted payment transaction offered under the Master Facilities Agreement, being not exceeding 3 years from the date of the relevant Loan Document, is therefore in line with the Group's normal practice.

We have also, on a best-effort basis, reviewed the finance lease transactions announced by companies listed on the Stock Exchange from 1 July 2014 up to the date of Master Facilities Agreement, and noted that the terms ranges from 6 months to 10 years, and most commonly set for a period of 36 months, which demonstrated that it is not uncommon for finance lease transactions having terms of 3 years or more.

Given that the Master Facilities Agreement is only a framework agreement and the Company will enter into separate agreement specifying specific terms such as the principal amount, interest rate, repayment term, purchase/lease items before each of the drawdown under the Facilities, the proposed annual caps under the Master Facilities Agreement would need to cover finance lease/entrusted loan transactions for 6 years from 2015 to 2021.

In view of the above, in particular, (i) the term of the Loans of 3 years is in line with the Group's normal practice; (ii) it is of market practices for finance lease transactions having terms of 3 years or more, we consider that it is normal business practice for agreements of similar type with the Master Facilities Agreement to have such duration.

Having considered (i) the reasons as set out in the paragraph headed "3.3 Reasons for the entering into of the Master Facilities Agreement" in this letter; (ii) the key terms of the Master Facilities Agreement; and (iii) the annual caps under the Master Facilities Agreement; (iv) the term of the Master Facilities Agreement, we are of the view that the entering into of the Master Facilities Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Master Facilities Agreement (including the proposed annual caps) is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

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7. Possible Effect of the Transactions

7.1 Possible Concentration of Customers

As set out in the Letter from the Board, there may be business risks associated with heavy reliance on Shougang Corporation Group which will become the single largest customer of the Group as a result of the transactions contemplated under the Master Facilities Agreement. As advised by the Directors, as Shougang Corporation Group is a capital intensive company with total assets and net assets amounted to approximately RMB408.2 billion and RMB110.2 billion as at 30 September 2014, respectively, it is the Group's target customers of its financing business. In the historical entrusted loan and finance lease transactions between the Company and Shougang Corporation Group, there is no late payment or default. Together with the strong background of Shougang Corporation and the guarantee provided in the Master Facilities Agreement, the Directors consider that Shougang Corporation Group is a good customer which will provide revenue to the Group with low risk. The entering into of the Master Facilities Agreement also demonstrates the capability of the Group on handling financial services transactions of sizeable in scale, which will enable the Group to source similar transactions with independent third party customers in future.

We are advised by the Directors that the Company has adopted policy and internal control mechanism to ensure that the interest rate to be charged by the Company and/or its subsidiary of each of the transactions contemplated under the Master Facilities Agreement will not be on terms more favourable to Shougang Corporation than those granted to independent third parties. The Company and/or its subsidiaries have the absolute discretion whether to provide the Loan under the Facilities at the relevant time. The management will conduct risk and return comparisons with other financing projects between the Group and Independent Third Parties. In the event that any of the Company or its subsidiaries considers that it is at the Group's disadvantage or risk to grant the Loan, it may at its absolute discretion refuse the provision of such Loan under the Facilities.

In assessing whether to provide each Loan under the Facilities, the Company will consider the following factors on a case by case basis: (i) whether there are other Independent Third Party customers with similar risk exposure who would like to seek finance under entrusted payment and/or finance lease arrangement from the Group at the relevant time; (ii) whether the Group will be able to gain a better rate of return from such available customer(s) at the relevant time. If, at the relevant time, the Group can get a better rate of return from Independent Third Party customer(s), the Group will either (i) use its discretion not to grant the Loan under the Facilities to Shougang Corporation Group at the relevant time, and provide facilities to the Independent Third Party customer(s) instead or (ii) ensure that the interest rate to be granted to Shougang Corporation Group under the relevant Loan will not be more favourable than those to Independent Third Party customer(s) so as to ensure that the rate of return of the Group is maximised.

In assessing the risk profile of the borrower in relation to each Loan, the Company will consider the following factors: (i) source of funds available for repayment, including the profitability and cash flow condition of the borrower/lessee; (ii) the convertibility and liquidity of the lease items as set out above when they are being sold in secondary markets to discharge the debt of the borrower/lessee; (iii) the risk level of the relevant industry of the borrower during the term of the entrusted payment or the relevant industry of the lessee during the term of the finance lease; and (iv) the general market conditions being

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faced by the Shougang Corporation Group. The Company will ensure that the interest rate granted to the Shougang Corporation Group will not be more favourable than the interest rate granted to Independent Third Party customer(s) based on the analysis of items (i) to (iv) above.

The transactions contemplated under the Master Facilities Agreement is subject to the review by the independent non-executive Directors on an annual basis, who will confirm in the annual report whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the Master Facilities Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. In addition, the transactions will also be subject to the review on an annual basis by auditors of the Company, who will confirm to the Directors as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the board of Directors; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Annual Caps.

As advised by the Directors, the Group will continue to cultivate business relationships with new customers who are Independent Third Parties, for promoting business scale extension by capturing the recent favourable credit market conditions. The Company considers that the provision of the Facilities demonstrates to the market, the capability of the Group in engaging in sizeable financial services transactions which in turn may enable the Group to source similar transactions with Independent Third Party customers in the market. The Group intends to focus on its resources to identify business opportunities with Independent Third Party customers in the following industry sectors which have huge external financing demand due to their respective industrial characteristics: (a) healthcare; (b) energy conservation and environmental protection; (c) new energy; (d) transportation; and (e) machinery and equipment manufacturing. In assessing the viability of the respective business opportunities, the Group will evaluate the development prospect and industrial characteristics, such as the cashflow cycle of the various businesses and the repayment structure of the different finance projects.

The transactions under the Master Facilities Agreement will not occupy the human resource of the sales and marketing teams of the Group. The Group's sale and marketing teams will concentrate to source targeted Independent Third Party customers in the above five industry sectors. The Group intends to enhance its reputation through marketing activities such as participation in local trade unions, etc. and will also source new customers by visiting enterprises engaged in different industry sectors. Further, the Group will continue to leverage on its established relationships with major banks in the PRC who will refer customers to the Group in circumstances where they have limitations or restrictions in extending credit by virtue of their scope of business or internal credit policies.

On such basis, even though Shougang Corporation Group will become the major customer of the Company, we concur with the views of the Directors that the entering into of the Master Facilities Agreement is in the interests of the Company and its Shareholder as a whole.

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7.2 *Shareholding Effect*

Assuming no further Shares will be issued by the Company prior to the completion of the Transactions, upon completion of the Transactions, (1) the interests of Shougang Holding (together with parties acting or presumed to be acting in concert with it) in the Company, will increase from approximately 37.36% to approximately 50.54% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares; (2) Shougang Holding will directly hold 25% of the registered capital of South China Leasing as enlarged by the Capital Injection; and (3) the Group's equity interest in South China Leasing will be reduced from 100% to 75%.

7.3 *Possible Financial Effect*

(i) Effect on net assets value

Upon completion of the Subscription and the Placing, the Group expects to receive an aggregate net proceeds of HK\$617.7 million in cash, which is intended to be used for the Company's (through its subsidiaries) contribution in the Capital Injection to increase the registered capital of South China Leasing. Pursuant to the Capital Injection Agreement, Shougang Holding shall inject cash of US\$40,500,000 (approximately HK\$313,875,000) into South China Leasing. As a consolidated level, upon the Subscription Completion, the Placing Completion and the Capital Injection, the net assets of the Group will increase by HK\$915.1 million, being the sum of the net proceeds from the Subscription and the Placing, and the cash contribution by Shougang Holding under the Capital Injection, offset by the loss on deemed disposal of approximately HK\$16.5 million.

The transactions contemplated under the Master Facilities Agreement will be mostly funded by bank borrowings. Accordingly, should the entrusted loan and/or finance lease transactions being taken placed by the Group, the Directors expect that both the Group's total assets will increase by the transaction amount of the entrusted loan and/or finance lease and partially offset by the internal resources that used to finance such transactions (if any), whereas the Group's liabilities will increase by the amount of relevant bank borrowings. Over time, given that the Group will enjoy interest rate spreads from the entrusted loan and/or finance lease transactions, the net assets value of the Group is expected to be enhanced following the completion of the entrusted loan and/or finance lease transactions.

(ii) Effect on liquidity position

Upon completion of the Subscription and the Placing, the Group expects to receive an aggregate net proceeds of HK\$617.7 million in cash which is intended to be used for the Company's (through its subsidiaries) contribution in the Capital Injection to increase the registered capital of South China Leasing. Pursuant to the Capital Injection Agreement, Shougang Holding shall inject cash of US\$40,500,000 (approximately HK\$313,875,000) into South China Leasing. As a consolidated level, upon the Subscription Completion, the Placing Completion and the Capital Injection, the cash and bank balance of the Group will increase by the same amount and hence its liquidity position would be improved.

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It is estimated by the Directors that there will be no material negative impact on the liquidity position of the Group as the transactions contemplated under the Master Facilities Agreement as the transactions will be mostly/fully financed by bank borrowings.

(iii) Effect on earnings

As detailed in the paragraph headed “Loss from the Deemed Disposal” in this letter, upon completion of the Capital Injection, the Group, as a consolidated level, will recognise a deemed disposal loss of approximately HK\$16.5 million. Such disposal loss is non-recurring in nature and would not affect the Group’s earning ability in the future.

The Directors consider that the entering into of the Master Facilities Agreement will enable the Group to earn a net income. As (i) the interest rate to be charged on each of the Loans under the Master Facilities Agreement would be at a rate equal to the cost of lending of the Company and/or its subsidiaries plus 1% to 5%; and (ii) the Company and/or its subsidiaries shall be entitled to charge the relevant lessee for each finance lease under the Master Facilities Agreement a non-refundable handling fee of not more than 1.5% of the principal amount of the finance lease, the Group is able to earn a net income over the term of the Master Facilities Agreement. Accordingly, the Directors expect that Master Facilities Agreement will have positive impact on the earnings of the Group in the long run.

(iv) Effect on non-controlling interests

Upon completion of the Capital Injection, Shougang Holding will directly hold 25% of the registered capital of South China Leasing as enlarged by the Capital Injection; and the Group’s equity interest in South China Leasing will be reduced from 100% to 75%. As South China Leasing will continue to be the Company’s subsidiary, the accounts of South China Leasing will continue to be consolidated to the Group’s account. Historically, South China Leasing contributed a substantial amount of the Group’s revenue, profit, assets and liabilities. As such, it is expected that the Group’s profit and net assets attributable to non-controlling interest will increase upon completion of the Transactions.

It should be noted that the above financial effects are for illustrative purpose only and do not purport to represent the financial position of the Group following the effective of the Transactions.

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, in particular:

- the background information of the Group as set out under the section headed “1. Background Information of the Group”;
- the background information of Shougang Corporation and Shougang Holding as set out under the section headed “2. Background Information of Shougang Corporation, Shougang Holding and South China Leasing”;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the reasons of the Transactions as set out under the section headed “3. Reasons of the Subscription, the Placing, the Capital Injection and the entering into of the Master Facilities Agreement”;
- the terms of the Subscription, the Placing and the Whitewash Waiver as set out under the section headed “4. The Subscription, the Placing and the Whitewash Waiver”;
- the terms of the Capital Injection as set out under the section headed “5. The Capital Injection”;
- the background, reasons, terms and annual caps of the Master Facilities Agreement as set out under the section headed “6. Master Facilities Agreement”; and
- the effect of the Transactions as set out under the section headed “7. Possible Effect of the Transactions”;

we consider that the entering into of the Master Facilities Agreement is in the ordinary and usual course of business of the Group. We are also of the view that the terms of the (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committees to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the Special General Meeting regarding (1) the Subscription and the Whitewash Waiver; (2) the Placing; (3) the Capital Injection; and (4) the Master Facilities Agreement and the proposed annual caps therefor.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Thomas Lai
Managing Director

Vincent Cheung
Director

Mr. Thomas Lai is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of MESSIS Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 20 years of experience in corporate finance industry.

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of MESSIS Capital Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 7 years of experience in corporate finance industry.

I. FINANCIAL SUMMARY

The following is a summary of the consolidated results and financial information of the Group for the three years ended 31 December 2012, 2013 and 2014, details of which were extracted from the annual reports of the Company for each of the years ended 31 December 2012, 2013 and 2014.

	For the year ended 31 December		
	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000
	(Audited)	(Audited)	(Audited)
RESULTS			
Revenue	55,534	55,888	53,991
Cost of sales	(34,969)	(37,315)	(29,116)
Gross profit	20,565	18,573	24,875
Profit before tax	4,420	8,700	12,263
Income tax expense	(2,372)	(2,173)	(2,141)
Profit for the year	2,048	6,527	10,122
Profit (loss) for the year attributable to:			
Owners of the Company	2,024	6,550	10,165
Non-controlling interests	24	(23)	(43)
	2,048	6,527	10,122
Earnings per share attributable to owners of the Company			
– Basic (cents)	0.18	0.57	0.88
– Diluted (cents)	0.18	0.57	0.88
Dividends (HK\$)	–	–	–
Dividends per share (HK\$)	–	–	–

	As at 31 December		
	2012 <i>HK\$'000</i> (Audited)	2013 <i>HK\$'000</i> (Audited)	2014 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Total assets	1,370,503	1,353,950	1,378,534
Total liabilities	(524,286)	(487,155)	(498,361)
Net assets	<u>846,217</u>	<u>866,795</u>	<u>880,173</u>
Equity attributable to owners of the Company	845,456	866,038	879,477
Non-controlling interests	761	757	696
Total equity	<u>846,217</u>	<u>866,795</u>	<u>880,173</u>

The auditors of the Company for each of the three years ended 31 December 2012, 2013 and 2014 did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2012, 2013 and 2014.

II. AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

Financial information of the Group for the year ended 31 December 2014 was disclosed in the annual results announcement of the Company, which was published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.shougang-grand.com.hk>).

The following information is extracted from the audited financial statements of the Group as set out in the annual report of the Company for the year ended 31 December 2014:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	7	53,991	55,888
Cost of sales		(29,116)	(37,315)
		<hr/>	<hr/>
Gross profit		24,875	18,573
Other income	9	8,139	6,627
Distribution costs and selling expenses		(872)	(742)
Administrative expenses		(35,538)	(33,294)
Increase in fair value of investment properties		2,400	3,600
Changes in fair value of held-for-trading investments		635	561
Finance costs	10	(370)	(345)
Share of results of an associate		12,994	13,720
		<hr/>	<hr/>
Profit before tax		12,263	8,700
Income tax expense	11	(2,141)	(2,173)
		<hr/>	<hr/>
Profit for the year	12	10,122	6,527
		<hr/>	<hr/>

		2014	2013
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation		(6,731)	6,313
Share of translation difference of an associate		(8,002)	7,738
Gain on revaluation upon transfer from property, plant and equipment to investment properties	15	12,830	–
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties		(5,438)	–
		<u>(7,341)</u>	<u>14,051</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of investment revaluation reserve of an associate		10,597	–
		<u>3,256</u>	<u>14,051</u>
Total comprehensive income for the year		<u><u>13,378</u></u>	<u><u>20,578</u></u>
Profit (loss) for the year attributable to:			
Owners of the Company		10,165	6,550
Non-controlling interests		(43)	(23)
		<u>10,122</u>	<u>6,527</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		13,439	20,582
Non-controlling interests		(61)	(4)
		<u>13,378</u>	<u>20,578</u>
Earnings per share	14		
Basic		<u>HK0.88 cents</u>	<u>HK0.57 cents</u>
Diluted		<u>HK0.88 cents</u>	<u>HK0.57 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	15	19,398	30,772
Investment properties	16	116,150	92,000
Goodwill	17	52,935	52,935
Interests in associates	19	315,059	299,470
Finance lease receivables	20	250,514	251,143
Restricted bank deposits	27	21,302	25,879
Available-for-sale investments	25	5,251	5,386
Deferred tax assets	32	233	466
		780,842	758,051
Current assets			
Inventories	21	4,325	3,896
Amount due from an associate	30	388	388
Finance lease receivables	20	273,162	254,638
Trade receivables	22	36	17
Prepayments, deposits and other receivables	23	7,708	5,603
Held-for-trading investments	24	11,036	16,443
Restricted bank deposits	27	8,930	–
Structured deposits	26	–	25,641
Bank balances and cash	27	292,107	289,273
		597,692	595,899
Current liabilities			
Other payables and accruals	28	25,008	17,989
Income received in advance	29	3,247	3,658
Rental and management fee received in advance and other deposits received		940	647
Tax liabilities		12,118	12,500
Secured bank borrowings – due within one year	31	232,391	197,977
Security deposits received – due within one year	20	9,989	3,190
		283,693	235,961
Net current assets		313,999	359,938
Total assets less current liabilities		1,094,841	1,117,989

		2014	2013
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves			
Share capital	33	11,522	11,522
Retained earnings		656,468	646,087
Other reserves		211,487	208,429
		<hr/>	<hr/>
Equity attributable to owners of the Company		879,477	866,038
Non-controlling interests		696	757
		<hr/>	<hr/>
Total equity		880,173	866,795
		<hr/>	<hr/>
Non-current liabilities			
Income received in advance	29	2,361	4,051
Secured bank borrowings – due after one year	31	182,345	222,122
Security deposits received – due after one year	20	24,524	25,021
Deferred tax liabilities	32	5,438	–
		<hr/>	<hr/>
		214,668	251,194
		<hr/>	<hr/>
Total equity and liabilities		1,094,841	1,117,989
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										
	Share capital	Share premium	Property revaluation reserve	Investment revaluation reserve	Contributed surplus reserve	Translation reserve	Share options reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	11,522	1,007	-	-	115,576	49,517	28,504	639,330	845,456	761	846,217
Exchange differences on translation	-	-	-	-	-	6,294	-	-	6,294	19	6,313
Share of translation difference of an associate	-	-	-	-	-	7,738	-	-	7,738	-	7,738
Profit (loss) for the year	-	-	-	-	-	-	-	6,550	6,550	(23)	6,527
Total comprehensive income (expense) for the year	-	-	-	-	-	14,032	-	6,550	20,582	(4)	20,578
Lapse of share options	-	-	-	-	-	-	(207)	207	-	-	-
At 31 December 2013	11,522	1,007	-	-	115,576	63,549	28,297	646,087	866,038	757	866,795
Exchange differences on translation	-	-	-	-	-	(6,713)	-	-	(6,713)	(18)	(6,731)
Share of translation difference of an associate	-	-	-	-	-	(8,002)	-	-	(8,002)	-	(8,002)
Gain on revaluation upon transfer from property, plant and equipment to investment properties	-	-	12,830	-	-	-	-	-	12,830	-	12,830
Deferred tax on revaluation upon transfer from property, plant and equipment to investment properties	-	-	(5,438)	-	-	-	-	-	(5,438)	-	(5,438)
Share of investment revaluation reserve of an associate	-	-	-	10,597	-	-	-	-	10,597	-	10,597
Profit (loss) for the year	-	-	-	-	-	-	-	10,165	10,165	(43)	10,122
Total comprehensive income (expense) for the year	-	-	7,392	10,597	-	(14,715)	-	10,165	13,439	(61)	13,378
Lapse of share options	-	-	-	-	-	-	(216)	216	-	-	-
At 31 December 2014	11,522	1,007	7,392	10,597	115,576	48,834	28,081	656,468	879,477	696	880,173

Notes:

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

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2014*

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before tax	12,263	8,700
Adjustments for:		
Depreciation of property, plant and equipment	1,435	1,537
Interest expenses (included in finance costs and cost of sales)	24,362	32,250
Share of results of an associate	(12,994)	(13,720)
Increase in fair value of investment properties	(2,400)	(3,600)
Changes in fair value of held-for-trading investments	(635)	561
Interest income from bank deposits	(5,374)	(4,462)
Dividend income from held-for-trading investments	(611)	(967)
Reversal of impairment loss on finance lease receivables	–	(198)
Gain on disposal of property, plant and equipment	(149)	–
Loss on written off of property, plant and equipment	7	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	15,904	20,101
(Increase) decrease in inventories	(526)	51
Increase in finance lease receivables	(66,696)	(30,803)
Increase in trade receivables	(19)	(17)
(Increase) decrease in prepayments, deposits and other receivables	(2,153)	919
Decrease in held-for-trading investments	6,004	23,554
Increase in other payables and accruals	7,317	4,232
Decrease in income received in advance	(1,913)	(986)
Increase in rental and management fee received in advance and other deposits received	293	159
Increase (decrease) in security deposits received	7,008	(3,124)
	<hr/>	<hr/>
Cash (used in) generated from operations	(34,781)	14,086
Dividend received from held-for-trading investments	611	381
Income tax paid	(1,984)	(2,282)
Interest received	36,156	41,068
Interest paid	(24,362)	(32,250)
	<hr/>	<hr/>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(24,360)	21,003

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Purchase of structured deposits	(25,000)	(25,316)
Proceeds from redemption of structured deposits	50,000	12,658
Purchases of property, plant and equipment	(154)	(244)
Withdrawal of restricted bank deposits	–	18,095
Placement of restricted bank deposits	(5,000)	(11,184)
Interest received	5,374	4,462
Proceeds from disposal of property, plant and equipment	286	–
	<u>25,506</u>	<u>(1,529)</u>
FINANCING ACTIVITIES		
Repayment of bank loans	(181,779)	(256,974)
New bank loans raised	186,250	206,958
	<u>4,471</u>	<u>(50,016)</u>
NET CASH FROM (USED IN) INVESTING ACTIVITIES		
NET CASH FROM (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,617	(30,542)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	289,273	316,267
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,783)	3,548
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u>292,107</u>	<u>289,273</u>

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs and new interpretation issued by the Hong Kong Institute of Certified Public Accountants:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above amendments to HKFRSs and the new interpretation in the current year has had no material impact on the amounts reported and/or disclosures set out in the Group’s consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
- ³ Effective for annual periods beginning on or after 1 January 2017
- ⁴ Effective for annual periods beginning on or after 1 July 2014
- ⁵ Effective for annual periods beginning on or after 1 January 2016
- ⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors of the Company (“Directors”) anticipate that the application of HKFRS 9 in the future may affect the amounts reported in respect of the Group’s financial assets and financial liabilities. Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may affect the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The Directors anticipate that the application of other new and revised HKFRSs will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the finance lease receivables and other financial assets to that asset's net carrying amount on initial recognition.

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

Consultancy fee income is recognised when the services are provided.

Rental income from property leasing is recognised on a straight-line basis over the relevant lease terms.

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

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

Property, plant and equipment

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

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

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

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment property are included in the profit or loss for the period in which they arise.

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

Leasing

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

The Group as lessor

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

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

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

Foreign currencies

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

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On the disposal of a group entity that is not a foreign operation, the exchange differences accumulated in equity relating to the translation of assets and liabilities of that group entity into presentation currency of the Group are transferred to retained earnings.

Borrowing costs

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

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

Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

Financial assets at FVTPL represents financial assets held-for-trading and financial assets designated as FVTPL on initial recognition.

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

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Fair value is determined in the manner described in Note 5(c).

Loans and receivables

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

Available-for-sale financial assets

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

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

Impairment loss of financial assets

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

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

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

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

For certain categories of financial asset, such as trade receivables and finance lease receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period given and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Equity-settled share-based payment transactions***Share options granted to the directors and employees of the Group***

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

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

For share options granted after 7 November 2002 but vested before 1 January 2005, the Group did not recognise any financial effect of these share options in accordance with the transitional provisions of HKFRS 2. The financial impact of such share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to other participants

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

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from these involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

As a result, the Group has not recognised any deferred tax on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties. In respect of those investment properties located in Mainland China, the Group recognised additional deferred taxes relating to land appreciation tax and enterprise income tax on changes in fair value of such investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. The fair value of the pledged assets is determined with reference to the relevant market information or valuation result performed by independent valuer. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2014, no impairment loss has been recognised for finance lease receivables (2013: Nil). As at 31 December 2014, the carrying amount of finance lease receivables is HK\$523,676,000 (2013: HK\$505,781,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is approximately HK\$52,935,000, net of accumulated impairment loss of HK\$201,854,000 (2013: HK\$52,935,000, net of accumulated impairment loss of HK\$201,854,000). Details of the recoverable amount calculation are disclosed in Note 18.

Estimated impairment of interests in associates

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell. The Group has carried out impairment testing to determine whether the Group's interest in an associate, Global Digital Creations Holdings Limited ("GDC"), is impaired as indicated by the decline in the quoted market price of the shares of GDC. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amount of interests in associates is approximately HK\$315,059,000, net of accumulated impairment loss of HK\$96,994,000 (2013: HK\$299,470,000, net of accumulated impairment loss of approximately HK\$96,994,000). Details of the recoverable amount calculation are disclosed in Note 19.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5(c) and 16 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Financial assets		
Financial assets at FVTPL		
Held-for-trading investments	11,036	16,443
Structured deposits designated as at FVTPL	–	25,641
	<u>11,036</u>	<u>42,084</u>
Loan and receivables		
(including cash and cash equivalents)	324,563	318,339
Available-for-sale investments	5,251	5,386
Finance lease receivables	523,676	505,781
Financial liabilities		
Amortised cost	<u>453,299</u>	<u>453,656</u>

(b) Financial risk management objectives and policies

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

Market risk(i) *Currency risk*

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in HK\$ and Renminbi which are primarily transacted using functional currencies of the respective group entities. The Group is mainly exposed to currency risk in relation to HK\$ denominated secured bank borrowings of HK\$94,149,000 (2013: HK\$26,721,000) as at 31 December 2014 and 2013. The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on 5% (2013: 5%) increase and decrease in HK\$ against Renminbi, the functional currency of the borrowing entity.

For a 5% (2013: 5%) weakening of HK\$ against Renminbi, there would be an increase in post-tax profit by HK\$3,931,000 (2013: HK\$1,116,000). For a 5% (2013: 5%) strengthening of HK\$ against Renminbi, there would be an equal and opposite impact on the profit.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate finance lease receivables as disclosed in Note 20, bank balances and restricted bank deposits in Note 27 and secured variable-rate bank borrowings as disclosed in Note 31. It is the Group's policy to keep majority of its finance lease receivables and bank borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate finance lease receivables and secured bank borrowings at the end of reporting period. The analysis is prepared assuming these outstanding balances at the end of the reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK\$325,000 (2013: HK\$790,000).

The Group's exposure to bank balances and restricted bank deposits were not included in the above analysis as the management considers that the exposure to these risks for bank balances and restricted bank deposits are insignificant.

(iii) *Other price risk*

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2013: 10%) higher/lower, post-tax profit for the year ended 31 December 2014 would increase/decrease by approximately HK\$902,000 (2013: HK\$3,283,000) as a result of the changes in fair value of held-for-trading investments and structured deposits.

Credit risk

As at 31 December 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, which accounted for 100% (2013: 100%) of the finance lease receivables as at 31 December 2014.

The Group also has concentration of credit risk from finance leasing business as 20% (2013: 17%) and 53% (2013: 44%) of the total finance lease receivables was due from the Group's largest finance lease borrower and the five largest finance lease borrowers, respectively. The Group's five largest finance lease borrowers are spread across diverse industries such as airline and manufacturing industries. Of the five largest finance lease borrowers, two (2013: two) of them are listed companies in Mainland China or group companies of listed companies in Mainland China. Over 67% (2013: 90%) of balance of the finance lease customers have good repayment history with no record of late payment. For those finance lease customers with late payment, the management of the Group has delegated a team to monitor the level of exposure to ensure that follow up actions and/or corrective actions and/or legal actions are taken promptly to lower the risk exposure or to recover the overdue balances. Furthermore, the Group would negotiate with certain finance lease customers with late payment by means of debt restructuring, to recover the overdue debts by instalments.

Liquidity risk

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

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

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows as at 2014 HK\$'000	Carrying amount at 2014 HK\$'000
Non-derivative financial liabilities							
Other payables	–	3,837	–	213	–	4,050	4,050
Security deposits received	–	2,272	980	6,737	24,524	34,513	34,513
Secured bank borrowings	4.84	100,399	33,619	112,070	200,303	446,391	414,736
		<u>106,508</u>	<u>34,599</u>	<u>119,020</u>	<u>224,827</u>	<u>484,954</u>	<u>453,299</u>
Non-derivative financial liabilities							
	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows as at 2013 HK\$'000	Carrying amount at 2013 HK\$'000
Other payables	–	5,151	–	195	–	5,346	5,346
Security deposits received	–	–	615	2,575	25,021	28,211	28,211
Secured bank borrowings	5.99	63,934	33,659	119,260	241,564	458,417	420,099
		<u>69,085</u>	<u>34,274</u>	<u>122,030</u>	<u>266,585</u>	<u>491,974</u>	<u>453,656</u>

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2014 and 31 December 2013, the aggregate principal amounts of these bank loans amounted to HK\$94,149,000 and HK\$26,721,000 respectively. Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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

	Weighted average interest rate %	On demand or less than 1 months HK\$’000	1 - 3 months HK\$’000	3 months to 1 year HK\$’000	1 - 5 years HK\$’000	Over 5 years HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
Secured bank borrowings with repayment on demand clause								
As at 31.12.2014	2.46	241	985	73,518	11,556	11,075	97,375	94,149
As at 31.12.2013	1.22	240	481	2,164	11,539	13,944	28,368	26,721

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

(c) Fair value measurements of financial instruments

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

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.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	31 December 2014	31 December 2013			
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK\$4,766,000 – in Mainland China: HK\$2,246,000 Listed debt securities in Hong Kong: HK\$4,024,000	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
Structured deposits	–	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 3.3% 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 (<i>Note</i>)	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 year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

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

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

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 31 net of restricted bank deposits, structured deposits, bank balances and cash, and total equity.

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using net debt to total equity ratio and current ratio. These ratios as at 31 December 2014 and 2013 were as follows:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net debt ⁽¹⁾	92,397	79,306
Total equity ⁽²⁾	880,173	866,795
Net debt to total equity ratio (%)	10	9
	<u> </u>	<u> </u>
Current assets	597,692	595,899
Current liabilities	283,693	235,961
Current ratio (%)	211	253
	<u> </u>	<u> </u>

The Directors considered that the Group maintained healthy capital as at 31 December 2014 as the Group has excess of current assets over current liabilities.

Notes:

- (1) Net debt equals borrowings less restricted bank deposits, structured deposits and bank balances and cash.
- (2) Total equity equals to all capital and reserves of the Group including non-controlling interests.

7. REVENUE

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance lease income		
Interest income	36,156	41,068
Handling fee	3,702	5,005
Consultancy fee income	5,060	–
Property leasing income	3,697	3,154
Sale of goods	5,376	6,661
	<u> </u>	<u> </u>
	<u>53,991</u>	<u>55,888</u>

8. SEGMENT INFORMATION

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

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

Segment revenue and results

The following is an analysis of the Group’s revenue and results by operating and reportable segment.

For the year ended 31 December 2014

	Finance leasing <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	44,918	3,697	5,376	53,991
Segment result	15,301	4,866	(306)	19,861
Other income				3,474
Central administration costs				(24,331)
Changes in fair value of held-for-trading investments				635
Finance costs				(370)
Share of results of an associate				12,994
Profit before tax				12,263

For the year ended 31 December 2013

	Finance leasing <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	46,073	3,154	6,661	55,888
Segment result	9,088	6,032	(71)	15,049
Other income				3,446
Central administration costs				(23,731)
Changes in fair value of held-for-trading investments				561
Finance costs				(345)
Share of results of an associate				13,720
Profit before tax				8,700

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including Directors' salaries, 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 resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment assets		
Finance leasing	656,492	720,900
Property leasing and building management services	117,204	93,220
Assets management	39,141	13,478
Total segment assets	812,837	827,598
Interests in associates	315,059	299,470
Held-for-trading investments	11,036	16,443
Structured deposits	–	25,641
Other unallocated assets	239,602	184,798
Consolidated assets	1,378,534	1,353,950

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Segment liabilities		
Finance leasing	453,850	440,825
Property leasing and building management services	907	919
Assets management	701	213
	<hr/>	<hr/>
Total segment liabilities	455,458	441,957
Tax liabilities	12,118	12,500
Unallocated secured bank borrowings	24,149	26,721
Other unallocated liabilities	6,636	5,977
	<hr/>	<hr/>
Consolidated liabilities	<u>498,361</u>	<u>487,155</u>

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

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

Other segment information

2014

	Finance leasing <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	789	197	342	107	1,435
Gain on disposal of property, plant and equipment	–	–	149	–	149
Increase in fair value of investment properties	–	2,400	–	–	2,400
Amounts regularly provided to CODM but not included in the measure of segment profit or loss:					
Interest income from bank deposits	<u>1,392</u>	<u>–</u>	<u>2</u>	<u>3,980</u>	<u>5,374</u>

2013

	Finance leasing HK\$'000	Property leasing and building management services HK\$'000	Assets management HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	804	168	258	307	1,537
Increase in fair value of investment properties	–	3,600	–	–	3,600
Amounts regularly provided to CODM but not included in the measure of segment profit or loss:					
Interest income from bank deposits	1,020	1	8	3,433	4,462
Reversal of impairment loss on finance lease receivables	(198)	–	–	–	(198)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Mainland China	50,294	52,734	93,884	83,290
Hong Kong	3,697	3,154	94,599	92,417
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>53,991</u>	<u>55,888</u>	<u>188,483</u>	<u>175,707</u>

Note: Non-current assets excluded available-for-sale investments, interests in associates, other financial instruments and deferred tax assets.

Information about major customers

Revenue from one customers contributing over 10% of the total revenue of the Group under reportable segment of finance leasing are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A	5,939	6,805
Customer B	N/A ¹	5,628
Customer C	N/A ¹	5,883
	<u> </u>	<u> </u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income from bank deposits	5,374	4,462
Write off on interest payables	1,751	–
Gain on disposal of property, plant and equipment	149	–
Dividend income from held-for-trading investments	611	967
Interest penalty received on overdue finance lease receivables	6	842
Government grant	143	336
Others	105	20
	<u> </u>	<u> </u>
	<u>8,139</u>	<u>6,627</u>

10. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	24,362	32,250
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	(23,992)	(31,905)
	<u> </u>	<u> </u>
	<u>370</u>	<u>345</u>

Included in cost of sales is interest on bank borrowings wholly repayable within five years amounting to HK\$23,992,000 (2013: HK\$31,905,000) under the finance leasing segment.

11. INCOME TAX EXPENSE

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong	151	184
PRC Enterprise Income Tax ("EIT")	4,098	2,180
	<u>4,249</u>	<u>2,364</u>
Overprovision in prior years		
PRC EIT	(2,341)	–
Deferred taxation (<i>Note 32</i>):	233	(191)
	<u>2,141</u>	<u>2,173</u>

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC EIT rate of subsidiaries of the Group operating in Mainland China was 25% (2013: 25%).

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before tax	12,263	8,700
Tax calculated at PRC EIT rate of 25%	3,066	2,175
Tax effect on share of results of an associate	(3,249)	(3,430)
Tax effect of expenses not deductible for tax purposes	115	692
Tax effect of income not taxable for tax purposes	(853)	(1,790)
Tax effect of tax losses not recognised	5,666	4,712
Effect of different tax rates of subsidiaries operating in other jurisdiction	(350)	(218)
Overprovision in prior years	(2,341)	–
Others	87	32
Income tax expense for the year	<u>2,141</u>	<u>2,173</u>

12. PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' and chief executive's remuneration (<i>Note 13</i>):		
– Salaries, wages and other benefits	18,382	17,659
– Retirement benefit scheme contributions	867	533
Total staff costs	19,249	18,192
Auditor's remuneration	1,304	1,166
Depreciation of property, plant and equipment	1,435	1,537
Loss on written off of property, plant and equipment	7	–
Exchange (gain) loss, net	(36)	131
Gross rent from investment properties	(3,697)	(3,154)
Less: direct operating expenses from investment properties that generated rental income during the year	305	286
	<u>(3,392)</u>	<u>(2,868)</u>

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

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 9 (2013: 8) Directors and the chief executive were as follows:

2014

	Li Shaofeng HK\$'000	Luo Zhenyu HK\$'000	Wang Tian HK\$'000	Wang Qinghua HK\$'000	Yuan Wenxin HK\$'000	Leung Shun Sang HK\$'000	Tam King Ching, Tony Kenny HK\$'000	Zhou Jianhong HK\$'000	Yip Kin Man, Raymond HK\$'000	Total HK\$'000
Fees	–	–	–	–	–	190	240	240	240	910
Other emoluments										
Salaries and other benefits	–	2,160	1,440	480	1,440	–	–	–	–	5,520
Retirement benefit scheme contributions	–	108	72	24	72	–	–	–	–	276
Total emoluments	–	2,268	1,512	504	1,512	190	240	240	240	6,706

2013

	Li Shaofeng HK\$'000	Luo Zhenyu HK\$'000	Wang Tian HK\$'000	Yuan Wenxin HK\$'000	Leung Shun Sang, Tony HK\$'000	Tam King Ching, Kenny HK\$'000	Zhou Jianhong HK\$'000	Yip Kin Man, Raymond HK\$'000	Total HK\$'000
Fees	-	-	-	-	190	240	240	240	910
Other emoluments									
Salaries and other benefits	104	2,284	1,440	1,440	-	-	-	-	5,268
Bonus (<i>Note 2</i>)	-	180	120	120	-	-	-	-	420
Retirement benefit scheme contributions	-	108	72	72	-	-	-	-	252
Total emoluments	104	2,572	1,632	1,632	190	240	240	240	6,850

Notes:

- (1) 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.
- (2) Bonus is determined by the Remuneration Committee of the Company with reference to the Group's performance and prevailing market condition.

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

For the years ended 31 December 2014 and 31 December 2013, Mr. Li Shaofeng waived his emoluments for each of the year of HK\$1,800,000.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors whose emoluments are included in the disclosures above for the year ended 31 December 2014.

The emoluments of the remaining two (2013: two) individuals for the years ended 31 December 2014 and 31 December 2013 was as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	1,755	1,535
Bonus	430	410
Retirement benefit scheme contribution	33	30
	2,218	1,975

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>

14. EARNINGS PER SHARE

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>10,165</u>	<u>6,550</u>
	2014 <i>'000</i>	2013 <i>'000</i>
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	<u>–</u>	<u>1,270</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,152,192</u>	<u>1,153,462</u>

The calculation of diluted earnings per share for the year ended 31 December 2014 does not include the potential ordinary shares arising from all the Company's share options (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 year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i> <i>(Note)</i>	Leasehold improvements <i>HK\$'000</i>	Other fixed assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2013	33,482	1,751	7,438	42,671
Exchange realignment	816	1	73	890
Additions	–	211	33	244
At 31 December 2013	34,298	1,963	7,544	43,805
Exchange realignment	(816)	(1)	(74)	(891)
Additions	–	71	83	154
Transferred to investment properties	(10,955)	–	–	(10,955)
Disposals	–	–	(813)	(813)
Written off	–	(8)	(236)	(244)
At 31 December 2014	22,527	2,025	6,504	31,056
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2013	3,903	1,603	5,870	11,376
Exchange realignment	69	1	50	120
Provided for the year	779	141	617	1,537
At 31 December 2013	4,751	1,745	6,537	13,033
Exchange realignment	(82)	(1)	(54)	(137)
Provided for the year	753	165	517	1,435
Transferred to investment properties	(1,760)	–	–	(1,760)
Eliminated on disposals	–	–	(676)	(676)
Eliminated on written off	–	(1)	(236)	(237)
At 31 December 2014	3,662	1,908	6,088	11,658
CARRYING VALUES				
At 31 December 2014	18,865	117	416	19,398
At 31 December 2013	29,547	218	1,007	30,772

Note: In the opinion of the Directors, the lease payments cannot be allocated reliably between the land and building elements. Thus entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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

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

Leasehold land and buildings with carrying value of HK\$9,195,000 were transferred to investment properties as they were rented out to independent third parties to earn rental income during the year. The fair value of these leasehold land and buildings at the date of transfer was HK\$22,025,000, resulting in recognition of surplus on revaluation of HK\$12,830,000 in other comprehensive income and accumulated in property revaluation reserve.

The fair value of the leasehold land and buildings at date of transfer has been determined using market comparable approach by AA Property Services Limited, an independent qualified professional valuer not connected with the Group.

The carrying value of leasehold land and buildings shown above companies properties situated on land in Mainland China under medium-term lease.

16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 January 2013	88,400
Net increase in fair value recognised in profit or loss	3,600
	<hr/>
At 31 December 2013 and 1 January 2014	92,000
Net increase in fair value recognised in profit or loss	2,400
Transfer from property, plant and equipment (<i>Note 15</i>)	22,025
Exchange realignment	(275)
	<hr/>
At 31 December 2014	<u>116,150</u>

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 at 31 December 2014 and 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. AA Property Services Limited is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

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

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK\$10,053 to HK\$17,540 per square foot (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.

Market comparable approach has been adopted for valuing the Group's commercial property units. One of the key inputs used in valuing the Group's commercial property units was the price per square foot, which is HK\$3,782 per square foot (2013: Nil). An increase in the price per square foot used would result in an increase in fair value measurement of the commercial property units, and vice versa.

Income capitalisation method has been adopted for valuing the Group's industrial property units. Key inputs used in valuing the Group's industrial property units were the monthly market rent per square foot which is HK\$45 (2013: HK\$45) and the discount rate of 12% (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 31 December 2013 and 2014 are as follows:

	Level 3 <i>HK\$'000</i>	Fair value at 2014 <i>HK\$'000</i>
Residential and industrial property units located in Hong Kong	94,400	94,400
Commercial property units located in PRC	21,750	21,750
	<u> </u>	<u> </u>
	Level 3 <i>HK\$'000</i>	Fair value at 2013 <i>HK\$'000</i>
Residential and industrial property units located in Hong Kong	92,000	92,000
	<u> </u>	<u> </u>

There were no transfers out of Level 3 during the year. Commercial property units with fair value of HK\$21,750,000 were transferred from property, plant and equipment to investment properties during the year.

At 31 December 2014, all of the Group's investment properties are located in Hong Kong and the PRC and are held under long leases with the lease terms of 36 to 119 years (2013: 46 to 120 years).

The carrying amounts of investment properties shown above comprise:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Land in Hong Kong		
Long lease	69,600	68,200
Medium-term lease	24,800	23,800
Land in PRC		
Medium-term lease	21,750	–
	<u> </u>	<u> </u>
Total	116,150	92,000
	<u> </u>	<u> </u>

All of the Group's investment properties located in Hong Kong have been pledged to banks to secure general banking facilities granted to the Group (Note 34).

17. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 January 2013, 31 December 2013 and 2014	254,789
IMPAIRMENT	
At 1 January 2013, 31 December 2013 and 2014	201,854
CARRYING VALUE	
At 31 December 2013 and 2014	<u>52,935</u>

Particulars regarding impairment testing on goodwill are disclosed in Note 18.

18. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 17 has been allocated to the CGU represented by finance leasing division.

The recoverable amount of the CGU arising from finance leasing division has been determined on the basis of value in use calculations. For the purpose of impairment testing, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 8.2% (2013: 8.7%) for finance leasing division. Cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

19. INTERESTS IN ASSOCIATES

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of investments in associates		
Listed in Hong Kong	186,613	186,613
Unlisted	–	–
Share of post-acquisition results	201,506	188,512
Share of post-acquisition translation reserve	13,337	21,339
Share of post-acquisition investment revaluation reserve	10,597	–
	<u>412,053</u>	<u>396,464</u>
Impairment loss	(96,994)	(96,994)
	<u>315,059</u>	<u>299,470</u>
Fair value of listed investments in Hong Kong	<u>198,134</u>	<u>235,284</u>
Carrying amount of interests in associates listed in Hong Kong	<u>315,059</u>	<u>299,470</u>

Details of the Group's principal associate at 31 December 2014 and 2013 are as follows:

Name of entity	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued share capital held by the Group		Proportion of voting power held		Principal activities
			2014	2013	2014	2013	
			GDC	Incorporated	Bermuda/Hong Kong	40.78%	

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 31 December 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 recognise any impairment loss (2013: Nil) for the year ended 31 December 2014 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 31 December 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 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 16.5% (2013: 17%) and a 3.5% (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 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.

Summarised financial information of material associate

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

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

GDC

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current assets	420,434	357,605
Non-current assets	859,472	948,116
Current liabilities	(161,347)	(175,237)
Non-current liabilities	(78,819)	(128,243)
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Revenue	204,404	160,720
Profit for the year	32,619	23,285
Other comprehensive income for the year	4,995	19,536
Total comprehensive income for the year	37,614	42,821

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net assets of GDC	1,039,740	1,002,241
Net assets attributable to non-controlling interests of GDC	(46,631)	(46,112)
Net assets attributable to owners of GDC	993,109	956,129
Proportion of the Group's ownership interest in GDC	40.78%	40.78%
The Group's ownership interest in GDC	405,005	389,924
Impairment loss	(96,994)	(96,994)
Other adjustments	7,048	6,540
Carrying amount of the Group's interest in GDC	315,059	299,470

For the remaining associate that is not individually material, the Group did not share of its profit or loss in both years as it is inactive during both years.

20. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2014 <i>HK\$'000</i> <i>(Note)</i>	2013 <i>HK\$'000</i> <i>(Note)</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Finance lease receivables comprise:				
Within one year	253,473	278,732	218,707	246,277
In more than one year but not more than two years	135,873	178,179	119,036	163,477
In more than two years but not more than three years	81,830	68,461	72,728	63,818
In more than three years but not more than four years	38,895	25,116	35,000	23,848
In more than four years but not more than five years	24,405	–	23,750	–
	<u>534,476</u>	<u>550,488</u>	<u>469,221</u>	<u>497,420</u>
Overdue finance lease receivables	54,455	8,361	54,455	8,361
Less: Unearned finance lease income	<u>(65,255)</u>	<u>(53,068)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u><u>523,676</u></u>	<u><u>505,781</u></u>	<u><u>523,676</u></u>	<u><u>505,781</u></u>
Analysed as:				
Current finance lease receivables (receivable within 12 months)			273,162	254,638
Non-current finance lease receivables (receivable after 12 months)			250,514	251,143
			<u><u>523,676</u></u>	<u><u>505,781</u></u>
			2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Fixed-rate finance lease receivables			151,112	1,805
Variable-rate finance lease receivables			<u>372,564</u>	<u>503,976</u>
			<u><u>523,676</u></u>	<u><u>505,781</u></u>

Note: The minimum lease receipts amounts as at 31 December 2014 and 2013 are presented using the prevailing PBC rate as at 31 December 2014 and 2013 respectively.

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

	2014	2013
Effective interest rates		
Fixed-rate finance lease receivables	3.0% to 15.0%	11% to 11.5%
Variable-rate finance lease receivables	7.0% to 9.7%	6% to 15%

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

As at 31 December 2014, finance lease receivables of approximately HK\$342,852,000 (2013: HK\$409,528,000) have been pledged against specific bank borrowings granted to the Group (Note 31). The pledges will be released upon the settlement of bank borrowings.

Movement in provision for finance lease receivables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1 January	39,175	38,388
Reversal of impairment losses previously recognised on receivables	–	(198)
Exchange realignment	(980)	985
	<u>38,195</u>	<u>39,175</u>
At 31 December	<u><u>38,195</u></u>	<u><u>39,175</u></u>

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK\$38,195,000 (2013: HK\$39,175,000). In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

Included in the Group's finance lease receivables are thirteen (2013: four) lessees with a total carrying amount of HK\$54,455,000 (2013: HK\$8,361,000) which is past due as at the end of the reporting period but not impaired. The receivables amount to HK\$5,068,000 were settled up to March 2015 (2013: HK\$7,560,000 were settled up to March 2014).

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within three months	24,522	7,530
From three to six months	11,978	831
Over six months	17,955	–
	<u>54,455</u>	<u>8,361</u>
	<u><u>54,455</u></u>	<u><u>8,361</u></u>

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

Security deposits of HK\$34,513,000 (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. In addition, the finance lease receivables are secured over the leased assets mainly aeroplanes, machineries and hopper dredgers as at 31 December 2014.

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

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

21. INVENTORIES

Inventories represent goods held for resale.

22. TRADE RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	36	17
Less: Allowance for doubtful debts	—	—
	<u>36</u>	<u>17</u>

The Group allows a credit period of 90 days to its trade customers.

The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 – 90 days	<u>36</u>	<u>17</u>

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other receivables	1,800	2,782
Prepayments	4,165	1,047
Deposits	1,743	1,774
	<u>7,708</u>	<u>5,603</u>

24. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2014 and 2013 represented debt securities and equity securities as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Listed equity securities:		
– in Hong Kong	4,766	4,713
– in Mainland China	2,246	1,506
Listed debt securities in Hong Kong	4,024	10,224
	<u>11,036</u>	<u>16,443</u>

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

25. AVAILABLE-FOR-SALE INVESTMENTS

The investments represent equity interests in private entities established in Mainland China and Hong Kong.

The investments are measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates is so variable that the Directors are of the opinion that their fair values cannot be measured reliably.

26. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2013 consisted of deposits HK\$25,641,000 denominated in Renminbi and issued by banks in Mainland China. The structured deposits carries interest at expected interest rate of 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 where the maturity ranging from 90 to 91 days from the date of purchase. The structured deposits were designated at FVTPL on initial recognition as they contain non- closely related embedded derivative. The Directors considered the fair values of the structured deposits, which are measured by reference to the discounted cash flow approach as disclosed in Note 5(c), approximate to their carrying values.

The structured deposits were redeemed in March 2014. The change in fair value up to the date of redemption was not significant.

No change in fair value for those deposits that have been matured is recognised for the years ended 31 December 2014 and 2013 as the effect is not significant.

27. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH**Restricted bank deposits**

The amounts as at 31 December 2014 and 2013 represented bank deposits which will be released upon the full settlement of the relevant bank borrowings. The deposits carried interest at average interest rate of 0.35% (2013: 0.26%) per annum.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed of reporting purposes:		
Due within one year	8,930	–
Due after one year	21,302	25,879
	<u>30,232</u>	<u>25,879</u>

Bank balances and cash

The Group's deposits carry interest rate at prevailing bank saving deposits rate ranging from 0.03% to 2.2% (2013: 0.03% to 2.2%) per annum.

28. OTHER PAYABLES AND ACCRUALS

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued salaries and bonuses	3,079	2,450
Accrued legal and professional fees	4,001	4,156
Other tax payable	15,892	7,943
Others	2,036	3,440
	<u>25,008</u>	<u>17,989</u>

29. INCOME RECEIVED IN ADVANCE

As at 31 December 2014 and 2013, the income received in advance includes handling fee income received from finance lease borrowers for administrative services provided over the relevant lease term.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes:		
Current	3,247	3,658
Non-current	2,361	4,051
	<u>5,608</u>	<u>7,709</u>

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

30. AMOUNT DUE FROM AN ASSOCIATE

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

31. SECURED BANK BORROWINGS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Secured variable-rate bank borrowings	414,736	420,099
Carrying amount repayable (<i>Note</i>):		
Within one year	138,242	171,256
More than one year, but not exceeding two years	80,516	141,678
More than two years, but not exceeding three years	49,329	58,972
More than three years, but not exceeding four years	30,000	21,472
More than four years, but not exceeding five years	22,500	–
	320,587	393,378
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	72,602	2,573
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	21,547	24,148
	414,736	420,099
Less: Amounts due within one year shown under current liabilities	(232,391)	(197,977)
Amounts due after one year	182,345	222,122

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

The interest rates for the Group's bank borrowings vary from different subsidiaries. The interest rates vary from Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 2.5% and variable PBC rate plus a percentage spread of 0% to 20% (2013: Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% and variable PBC rate plus a percentage spread of 0% to 20%). Secured bank borrowings of HK\$94,149,000 (2013: HK\$26,721,000) are exposed to the fluctuations of HIBOR and Hong Kong banks' prime rate while the remaining HK\$320,587,000 (2013: HK\$393,378,000) are exposed to the fluctuation of PBC rate. The effective interest rates for the Group ranged from 1.2% to 8.0% per annum for the year ended 31 December 2014 (2013: 1.2% to 8.0% per annum). The interest is repricing every month for secured bank borrowing of approximately HK\$195,421,000 (2013: HK\$26,721,000) and repricing every quarter for secured bank borrowing of approximately HK\$219,315,000 (2013: HK\$393,378,000). The proceeds were used as funding for finance leasing business and general working capital for the Group for the years ended 31 December 2014 and 2013.

32. DEFERRED TAXATION

The following are the major deferred taxation recognised and movements thereon during the current and prior years:

	Revaluation of investment properties <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	–	(275)	(275)
Credit to profit or loss	–	(191)	(191)
	<hr/>	<hr/>	<hr/>
At 31 December 2013	–	(466)	(466)
Charge to profit or loss	–	233	233
Charge to other comprehensive income	5,438	–	5,438
	<hr/>	<hr/>	<hr/>
At 31 December 2014	<u>5,438</u>	<u>(233)</u>	<u>5,205</u>

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Deferred tax assets	(233)	(466)
Deferred tax liabilities	5,438	–
	<hr/>	<hr/>
	<u>5,205</u>	<u>(466)</u>

At the end of the reporting period, the Group has unused tax losses of approximately HK\$288,303,000 (2013: HK\$267,052,000) available for offset against future profits subject to approval from the relevant tax authority. Deferred tax asset has been recognised in respect of approximately HK\$1,412,000 (2013: HK\$2,824,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$286,891,000 (2013: HK\$264,228,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries in Mainland China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiaries in Mainland China amounting to HK\$46 million as at 31 December 2014 (2013: HK\$41 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

33. SHARE CAPITAL

	2014 & 2013	
	Number of Shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January and 31 December	10,000,000,000	100,000
Issued and fully paid:		
At 1 January and 31 December	1,152,192,469	11,522

34. CHARGE ON ASSETS

As at 31 December 2014, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$94,400,000 (2013: HK\$92,000,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$24,149,000 (2013: HK\$26,721,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$342,852,000 (2013: HK\$409,528,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$320,587,000 (2013: HK\$393,378,000).
- (iii) There were bank deposits of approximately HK\$30,232,000 (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\$235,490,000 (2013: HK\$207,582,000).

35. 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.

36. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK\$3,697,000 (2013: HK\$3,154,000). The investment properties are expected to generate rental yield of 3.9% (2013: 4.0%) on ongoing basis. Almost all of the properties held have committed tenants for the next one to two years.

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	800	2,035
In the second to fifth years inclusive	238	283
	<u>1,038</u>	<u>2,318</u>

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately HK\$2,923,000 (2013: HK\$2,389,000).

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	2,680	2,923
In the second to fifth years inclusive	–	2,680
	<u>2,680</u>	<u>5,603</u>

As at 31 December 2014 and 2013, operating lease payments represent rentals payable by the Group for certain of its office premises. Leases for properties are negotiated for a term ranging from one to two years (2013: one to two years) with fixed rentals.

37. SHARE OPTIONS SCHEMES

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

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

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

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

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

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

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

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

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

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

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 115,219,246, representing 10% of the issued share capital of the Company at the commencement date of the 2012 Scheme. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

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

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

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

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

No share options has been granted under the 2012 Scheme.

The following table discloses the details of the share options and movements in the share options under the 2002 Scheme during the years ended 31 December 2014 and 2013:

For the year ended 31 December 2014

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options		
				At 1.1.2014	Lapsed during the year	At 31.12.2014
Directors of the Company	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	28,964,000	–	28,964,000
	22.1.2008	22.1.2008 – 21.1.2018	HK\$0.724	23,450,000	–	23,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	20,000,000	–	20,000,000
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	2,400,000	(500,000) ⁽¹⁾	1,900,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	7,920,000	(700,000) ⁽¹⁾	7,220,000
Other participants	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	34,104,000	–	34,104,000
	22.1.2008	22.1.2008 – 21.1.2018	HK\$0.724	18,500,000	–	18,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	600,000	–	600,000
Total				135,938,000	(1,200,000)	134,738,000
Exercisable at year end						134,738,000

For the year ended 31 December 2013

Category of grantees	Date of grant	Exercise period	Exercise price per share	Number of share options		
				At 1.1.2013	Lapsed during the year	At 31.12.2013
Directors of the Company	6.3.2003	6.3.2003 – 5.3.2014	HK\$0.760	604	(604) ⁽²⁾	–
	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	28,964,000	–	28,964,000
	22.1.2008	22.1.2008 – 21.1.2018	HK\$0.724	23,450,000	–	23,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	20,000,000	–	20,000,000
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	3,700,000	(1,300,000) ⁽³⁾	2,400,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	7,920,000	–	7,920,000
Other participants	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.410	34,104,000	–	34,104,000
	22.1.2008	22.1.2008 – 21.1.2018	HK\$0.724	18,500,000	–	18,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540	600,000	–	600,000
Total				137,238,604	(1,300,604)	135,938,000
Exercisable at year end						135,938,000

Notes:

- (1) The share options were held by a grantee who ceased to be an employee of the Group on 1 October 2014. Such share options lapsed on 1 November 2014 according to the terms of the 2002 scheme.
- (2) Such share options lapsed on 6 March 2013, being the expiry date of the relevant exercise period.
- (3) 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.

No share options were granted and exercised during both years.

38. RETIREMENT BENEFIT SCHEMES

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

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

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong and Mainland China (collectively the "Retirement Schemes"). There was no contributions payable to the Retirement Schemes at 31 December 2014 and 2013 and no forfeited contribution throughout both years.

39. RELATED PARTY TRANSACTIONS

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

(a) Transactions and balances with Shougang Group

	Rental income (Note a)		Consultancy fee expense (Note b)		Management fee expense (Note b)	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Shougang Holding	-	-	960	960	-	-
Associates of Shougang Holding	-	-	-	-	840	840
Li Shaofeng, the Chairman of the Company	142	142	-	-	-	-

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 31 December 2014, the Group's held-for-trading investments included listed securities of 14,870,000 shares (2013: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century"), and 230,000 shares (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 and balances with the Shougang Group as disclosed in Note 39(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 at 31 December 2014 and 2013, 100%, 99% and 94%, and 100%, 99% and 94%, respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

(c) Compensation of key management personnel

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

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	6,430	6,598
Post-employment benefit	276	252
	<u>6,706</u>	<u>6,850</u>

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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital <i>(Note (a))</i>	Effective equity interest attributable to the Group		Principal activities
			2014	2013	
<i>Direct subsidiary</i>					
SCG Investment (BVI) Limited	British Virgin Islands ("BVI")	HK\$100,000	100%	100%	Investment holding
<i>Indirect subsidiaries</i>					
Concord Grand TV & Movie Investment Limited	BVI	US\$1	100%	100%	Investment holding
Dunley Developments Limited	BVI	US\$1	100%	100%	Investment holding
Durali Developments Limited	BVI	US\$1	100%	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK\$2	100%	100%	Property investment
Grand Phoenix Limited	BVI	US\$1	100%	100%	Investment holding
Jeckman Holdings Limited	BVI	US\$100	100%	100%	Investment holding
Linksky Limited	Hong Kong	HK\$2	100%	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK\$2	100%	100%	Provision of administrative and management services
Lyre Terrace Management Limited	Hong Kong	HK\$1,000,000	100%	100%	Investment holding and property investment
On Hing Investment Company, Limited	Hong Kong	HK\$1,000 (ordinary) HK\$2,000,000 (non-voting deferred)	100% <i>(Note (d))</i>	100% <i>(Note (d))</i>	Property investment
SCG Capital Corporation Limited	Hong Kong	HK\$20	100%	100%	Investment holding
SCG Finance Corporation Limited	Hong Kong	HK\$20	100%	100%	Provision of financial services
SCG Financial Investment Limited	BVI	US\$1,000	100%	100%	Investment holding

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital <i>(Note (a))</i>	Effective equity interest attributable to the Group		Principal activities
			2014	2013	
<i>Indirect subsidiaries</i>					
SCG Leasing Corporation Limited	Hong Kong	HK\$2	100%	100%	Property investment
South China International Leasing Co., Ltd (“South China Leasing”)	PRC <i>(Note (b))</i>	US\$24,000,000 (Registered capital)	100%	100%	Provision of finance leasing services
Strenbeech Limited	BVI	HK\$147,000,008	100%	100%	Investment holding
Tin Fung Investment Company, Limited	Hong Kong	HK\$975,000 (ordinary) HK\$210,000 (non-voting deferred)	100% <i>Note (d)</i>	100% <i>(Note (d))</i>	Property investment
Upper Nice Assets Ltd.	BVI	US\$1	100%	100%	Investment holding
Valuework Investment Holdings Limited	BVI	US\$100	100%	100%	Investment holding
悅康融滙投資諮詢(深圳)有限公司 Ecko Investment Company Limited*	PRC <i>(Note (c))</i>	HK\$11,700,000 (Registered capital)	100%	100%	Investment holding
深圳市悅康融滙貿易發展有限公司 Ecko Trading Development Company Limited*	PRC <i>(Note (c))</i>	RMB2,000,000 (Registered capital)	90%	90%	Trading

* For identification purpose only

Notes:

- (a) All issued share capital are ordinary shares unless otherwise stated.
- (b) This entity is sino-foreign equity joint venture.
- (c) These entities are limited liability enterprises.
- (d) Interests only refer to ordinary shares which are voting shares.

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

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

41. EVENTS AFTER THE REPORTING PERIOD

On 26 March 2015, the Company entered into a shares subscription agreement with Shougang Holding, pursuant to which Shougang Holding has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 920,000,000 new shares of the Company at HK\$0.41 per share to Shougang Holding. On the same date, the Company entered into a new shares placing agreement with VMS Securities Limited (the “Placing Agent”), pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a fully underwritten basis, 600,000,000 shares of the Company at HK\$0.41 per share.

On 26 March 2015, the Company, Shougang Holding and South China Leasing, an indirect wholly-owned subsidiary of the Company, entered into a capital injection agreement, pursuant to which the Company and Shougang Holding have conditionally agreed that the Company (through its subsidiaries) and Shougang Holding shall inject capital of approximately US\$97,500,000 and US\$40,500,000 respectively into South China Leasing. Subsequent to the completion of the capital injection, Shougang Holding will hold 25% of the enlarged registered capital of South China Leasing and the Company’s equity interest in South China Leasing will be reduced from 100% to 75% and constitutes a deemed disposal for the Group under the Listing Rules.

On 26 March 2015, the Company entered into a master facilities agreement with Shougang Corporation, pursuant to which the Company had conditionally agreed to provide or procure its subsidiaries to provide the facilities by way of entrusted payment and/or finance lease to Shougang Corporation and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years.

42. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current asset		
Investment in a subsidiary	231,154	231,154
Current assets		
Prepayment, deposits and other receivables	193	193
Bank balances and cash	117	115
	310	308
Current liabilities		
Other payables and accruals	102	102
Amounts due to subsidiaries	85,707	85,700
	85,809	85,802
Net current liabilities	(85,499)	(85,494)
Net assets	145,655	145,660
Capital and reserves		
Share capital	11,522	11,522
Reserves	134,133	134,138
Total equity	145,655	145,660

Reserves

	Share premium <i>HK\$'000</i>	Contributed surplus reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	1,007	113,441	28,504	(8,812)	134,140
Lapse of share options	–	–	(207)	207	–
Loss for the year	–	–	–	(2)	(2)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	1,007	113,441	28,297	(8,607)	134,138
Lapse of share options	–	–	(216)	216	–
Loss for the year	–	–	–	(5)	(5)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	<u>1,007</u>	<u>113,441</u>	<u>28,081</u>	<u>(8,396)</u>	<u>134,133</u>

III. AUDITED FINANCIAL STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2012 AND 31 DECEMBER 2013

Financial information of the Group for the years ended 31 December 2012 and 2013 were disclosed in the annual results announcement of the Company ended with the same periods respectively, which were published on both the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (<http://www.shougang-grand.com.hk>).

IV. INDEBTEDNESS**Borrowings**

At the close of business on 31 March 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding bank borrowings of approximately HK\$629,192,000 of which approximately HK\$559,192,000 secured by certain investment properties, certain finance lease receivables and certain bank deposits.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts, or other similar indebtedness, finance lease or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at the close of business on 31 March 2015.

V. GEARING RATIO

As at 31 March 2015, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was approximately 72%.

VI. WORKING CAPITAL

After taking into account the Group's internal resources, the cash flows relating to the Subscription Agreement, the Placing Agreement, the Capital Injection Agreement and the Master Facilities Agreement, the presently available banking facilities and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve months from the date of this circular.

VII. MATERIAL CHANGE

The Directors were not aware of any material change to the financial or trading position of the Group since 31 December 2014, being the date to which the latest audited consolidated financial statement of the Company were made up.

VIII. FOREIGN EXCHANGE MANAGEMENT

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

IX. OUTLOOK AND PROSPECTS

In 2014, it was almost certain that there would be a slow recovery of the global economy, but the pace of recovery in different major economies was different. This resulted in diversification of monetary policies imposed by the same. By leveraging from quantitative easing continuously implemented in the past few years, the recovery of economy in US were stronger and began to exit from the quantitative easing this year gradually. The economy in Japan and European countries was recovering but the momentum continued to be sluggish. They are still adopting expansionary monetary policies in an extensive scale so as to stimulate the economy. Being affected by the slow economy recovery undergoing in the developed countries and the slowdown of foreign trade in emerging countries, the economy in emerging countries can only maintain a faster growth but the growth rate was markedly slowing down. Looking ahead to 2015, the global economy will still subject to different interactive effects under various economic and monetary policies with the global economy remaining full of complexity and uncertainty. It is expected that the growth of economy in Mainland China will continue to remain stable while proactive fiscal policy and stable monetary policy will be continued together with reform that can benefit the restructuring of economy will be facilitated. The Group will also continue to seek progress while ensuring stability for intensification of core value and grasping new business opportunity.

The Group always upholds a prudent philosophy of good governance, with emphasis on risk management, attends to maintain excellent assets quality, stability of financial resources, to establish a solid foundation for the Group's long-term development. At the same time, based on effective risk management, the Group has been proactively seeking for core business returns and exploring new business opportunities by deployment of development carefully. According to market demands, the Group will focus on the development of innovative financial services, through the integration of financial and industrial needs, providing supporting financial services to enterprises with an aim to enlarge the Group's financial service scale.

For finance leasing, faced with the downfall in the growth of real economy together with the change in finance composition and gradual loosening of credit conditions in the Mainland China have resulted in uncertainty for the leasing business in 2014, the management continued to carry out industry segmentation to target the unique needs of various industries in order to provide appropriate professional services and to balance the risks. In response to market changes, the management proactively adjusted development strategies so as to maintain stable growth in the leasing business for the Group. Looking to the future, the finance leasing division will continue to monitor credit risks cautiously. At the same time, the Group will use its endeavours in developing new business models that can cope with market opportunities and challenges. The means to operate and the levels of application of finance leasing will be enlarged so that the scope of services will be expanded and the efficiency of leasing service will be enhanced. The Group will also explore finance and credit overseas so as to ensure sustainable and healthy development of its businesses.

For assets management, facing the multiple uncertainties such as inflation, liquidity and policy risks, market demand for assets management is significant. Facing a fluctuating market environment, market and investors proactively seeking assets capable to hedge against inflation and allocating different assets with an aim to lowering risk, this presents huge room for development for the Group. The Group will proactively manage assets portfolio to explore potential opportunities and perform rigorous credit review to explore long-term investment value. The Group will capture such market opportunities proactively to line up market investment demand and industrial development opportunity for broadening related business and business opportunities in order to harness the financial and market rewards. For property management, grasping the strong rally of Hong Kong property market at the right time, the Group had disposed certain of its investment properties in Hong Kong (including residential, commercial and industrial units) in the past few years which realized capital gains into cash flow and provide rooms to optimize our investment property portfolio. The Group will continue to monitor the changes in the property market and will look for potential investment projects and investment opportunities.

Looking into 2015, the global economy will continue to recover at a slow pace whilst the monetary policies are operating on the opposite way. Although the outlook remains uncertain and full of challenges, we are confident that we would be able to tackle the challenges going forward. The Group will proactively capture the huge development and investment opportunities arising from the domestic demand and infrastructure investments in the Mainland China by devoting more resources to develop innovative financial services products, optimizing the Group's financial services industry structure and implementing timely measures to fine tune our development strategies so as to allow the Group to grow in a sustainable way and continue to enhance value for the shareholders.

X. CORPORATE STRATEGY

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

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

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

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The directors of Shougang Holding jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) assuming completion of the Subscription and the Placing were and will be as follows:

- (i) As at the Latest Practicable Date:

Authorised:

10,000,000,000 Shares

HK\$100,000,000.00

Issued and fully paid up or credited as fully paid up:

1,152,192,469 Shares

HK\$11,521,924.69

(ii) Assuming completion of the Subscription and the Placing:

<i>Authorised:</i>	
<u>10,000,000,000 Shares</u>	<u>HK\$100,000,000.00</u>
<i>Issued and fully paid up or credited as fully paid up:</i>	
1,152,192,469 Shares	HK\$11,521,924.69
920,000,000 New Shares to be issued pursuant to the Subscription Agreement	HK\$9,200,000.00
600,000,000 New Shares to be issued pursuant to the Placing Agreement	HK\$6,000,000.00
<u>2,672,192,469 Shares</u>	<u>HK\$26,721,924.69</u>

All of the Shares rank pari passu in all respects, including as to dividends, voting and capital.

When issued and fully paid, the Subscription Shares and the Placing Shares will rank pari passu in all respects with the Shares then in issue. Holders of the fully-paid Subscription Shares or the Placing Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Subscription Shares or the Placing Shares in their fully-paid form.

The Shares are, or to be, listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its last financial year, being 31 December 2014 and there has been no increase in the issued share capital of the Company since 31 December 2014 and up to the Latest Practicable Date.

As at the Latest Practicable Date, save for 134,738,000 options which are convertible into 134,738,000 Shares, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

3. MARKET PRICES

The table below shows the closing price per Share as quoted by the Stock Exchange (i) on the last day on which trading took place in each of the six calendar months during the period commencing six months preceding the Last Trading Day and ending on the Latest Practicable Date; (ii) on 26 March 2015, being the Last Trading Day; and (iii) as at the Latest Practicable Date:

Date	Closing price per Share <i>HK\$</i>
30 September 2014	0.520
31 October 2014	0.475
28 November 2014	0.445
31 December 2014	0.415
30 January 2015	0.370
27 February 2015	0.390
26 March 2015 (Last Trading Day)	0.445
31 March 2015 (Note: trading suspended)	N/A
30 April 2015	0.830
Latest Practicable Date	0.810

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period between 26 September 2014 (being the date falling six months prior to 26 March 2015, the date of the Holding Announcement) and ending on the Latest Practicable Date (both dates inclusive) are HK\$0.910 on 5 May 2015 and HK\$0.350 on 5 March 2015 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares and underlying Shares

Name of Director	Capacity in which interests were held	Number of Shares/underlying Shares			Total interests as to % of the issued share capital of the Company as at the Latest Practicable Date
		Interests in Shares	Derivative Interests*	Total interests	Practicable Date
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, Shares are issuable. The share options are personal to the respective Directors.

** Mr. Li Shaofeng is a Director and a director of Shougang Holding.

- (ii) *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 the Latest Practicable Date
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 the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which has an interest in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Directors’ service contracts

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group (excluding contracts expiring or determinable by relevant member of the Group within one year without payment of compensation, other than statutory compensation), nor has any of the Directors entered into any service contract with any member of the Group or associated companies which are in force and are fixed term contracts and which have more than 12 months to run irrespective of the notice period or which are continuous contracts with a notice period of 12 months or more, or which has been entered into or amended within six months prior to 26 March 2015, being the date of the Holding Announcement.

(c) As at the Latest Practicable Date:

- (i) Mr. Li Shaofeng as a tenant and a subsidiary of the Company as a landlord entered into a tenancy agreement on 15 November 2012, pursuant to which the subsidiary shall lease an apartment to Mr. Li Shaofeng and Mr. Li Shaofeng shall pay a monthly rent of HK\$11,800 to the subsidiary for the period from 1 January 2013 to 31 December 2015.

- (ii) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (iii) none of the Directors was materially interested in any contract, save for service contracts as disclosed in paragraph (b) above and the tenancy agreement disclosed in paragraph (c)(i) above, or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

(d) Directors' interests in competing businesses

As at the Latest Practicable Date, the interests of the Directors in the businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which were considered to compete or were likely to compete, either directly or indirectly, with the businesses of the Group were as follows:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which was considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Holding [#]	Property investment	Director

[#] Such business may be carried out through the subsidiary(ies) or associate(s) of the entity concerned or by way of other forms of investments.

The Board is independent from the board of the above-mentioned entity and is accountable to the Shareholders. Coupled with the diligence of its independent non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of this entity.

Save as disclosed above, as at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the businesses of the Group.

5. SUBSTANTIAL SHAREHOLDERS

- (a) As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO, the following persons and companies (other than the Directors or chief executive of the Company) had an interest or short position in the Shares and the underlying Shares which fell to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares/underlying Shares

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 the Latest Practicable Date	Note(s)
Shougang Corporation	Interests of controlled corporations	1,350,491,315	117.21%	1
Shougang Holding	Interests of controlled corporations	1,350,491,315	117.21%	1
Wheeling Holdings Limited (“ Wheeling ”)	Beneficial owner	1,350,491,315	117.21%	1
CK Hutchison Holdings Limited (“ CK Hutchison ”)	Interests of controlled corporations	133,048,717	11.54%	2,3
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 (“ TD1 ”)	Trustee, beneficiary of a trust	133,048,717	11.54%	3

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 the Latest Practicable Date	Note(s)
(Continued)				
Li Ka-Shing Unity Trustcorp Limited (“TDT2”)	Trustee, beneficiary of a trust	133,048,717	11.54%	3
Mak Siu Hang, Viola	Interests of controlled corporations	600,000,000	52.07%	4
VMS Holdings Limited	Interests of controlled corporations	600,000,000	52.07%	4
VMS Investment Group Limited	Beneficial owner	600,000,000	52.07%	4

Notes:

- Shougang Corporation indicated in its disclosure form dated 31 March 2015 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 26 March 2015, Shougang Corporation’s interest in the Company was held by Shougang Holding, a wholly-owned subsidiary of Shougang Corporation. Shougang Holding’s interest in the Company is the Shares held by Wheeling, a wholly-owned subsidiary of Shougang Holding. Wheeling was interested in 430,491,315 Shares and 920,000,000 Subscription Shares.
- CK Hutchison indicated in its disclosure form dated 23 March 2015 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 18 March 2015, CK Hutchison’s interest in the Company was held by Cheung Kong, a wholly-owned subsidiary of CK Hutchison. As at 18 March 2015, 91,491,193 Shares were held by Max Same, a wholly-owned subsidiary of Cheung Kong and 41,557,524 Shares were held by Botany Limited which in turn was held as to 87.5% by Cheung Kong. Accordingly, CK Hutchison and Cheung Kong were interested in an aggregate of 133,048,717 Shares.
- Mr. Li Ka-shing indicated in his disclosure form dated 17 July 2012 (being the latest disclosure form filed up to the Latest Practicable Date) 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 which TUT1 was interested in. The long position in the 133,048,717 Shares held by CK Hutchison, Cheung Kong, Mr. Li Ka-shing, TUT1, TDT1 and TDT2 were the same block of shares.
- Ms. Mak Siu Hang, Viola indicated in her disclosure form dated 31 March 2015 (being the latest disclosure form filed up to the Latest Practicable Date) that as at 26 March 2015, her interests in the Company were held by VMS Investment Group Limited which in turn was wholly-owned by VMS Holdings Limited. VMS Investment Group Limited was interested in 600,000,000 Placing Shares.

- (b) As at the Latest Practicable Date, so far as is known to any Director, the following persons and companies were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital:

Name of member of the Group	Name of registered shareholder	Equity interest	% of attributable interest
上海恆岳投資管理有限公司 (Shanghai Hengyue Investment Management Company Limited*)	Gu Yu (顧旭)	RMB500,000	10.00%
深圳市悅康融匯貿易發展有限公司 (Ecko Trading Development Company Limited*)	北京瑞紹斯貿易有限公司 (Beijing Ruishaosi Trading Company Limited*)	RMB200,000	10.00%

* For identification purpose only

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

6. SHAREHOLDINGS AND DEALINGS

(A) Shareholdings and dealings in the shares and the convertible securities, warrants, options and derivatives in respect of the shares of Shougang Holding (the “Subscriber Securities”)

- (a) As at the Latest Practicable Date:
- (i) The Company was not interested in any Subscriber Securities;
 - (ii) None of the directors of Shougang Holding or the Directors was interested in any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
 - (iii) Save as disclosed, none of the persons acting in concert with Shougang Holding owned or controlled any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

- (iv) None of Shougang Holding nor any persons acting in concert with it had borrowed or lent any Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
 - (b) None of the Company nor the Directors had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the period beginning six months prior to 26 March 2015, being the date of the Holding Announcement, and ending on the Latest Practicable Date (the “Relevant Period”);
 - (c) None of Shougang Holding, its directors nor persons acting in concert with Shougang Holding had dealt for value in the Subscriber Securities or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.
- (B) Shareholdings and dealings in the Shares and the convertible securities, warrants, options and derivatives in respect of the Shares (the “Company Securities”)**
- (a) As at the Latest Practicable Date:
 - (i) save as disclosed in the table set out in the paragraph headed “Changes to the shareholding structure of the Company as a result of the Subscription and the Placing” in the Letter From the Board, none of Shougang Holding and parties acting in concert with Shougang Holding was interested in any Company Securities;
 - (ii) save as disclosed in the table set out in the paragraph headed “Disclosure of Interests” in this Appendix, none of the directors of Shougang Holding or the Directors was interested in any Company Securities;
 - (iii) none of the Company nor the Directors had borrowed or lent any Company Securities; and
 - (iv) none of Shougang Holding nor any persons acting in concert with Shougang Holding had borrowed or lent any Company Securities.
 - (b) save for the Subscription Agreement, none of the Shougang Holding, directors of Shougang Holding, parties acting in concert with Shougang Holding and the Directors had dealt for value in any Company Securities during the period beginning six months prior to 26 March 2015, being the date of the Subscription Agreement, and ending on the Latest Practicable Date.

- (c) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Shougang Holding or any person acting in concert with Shougang Holding, and none of such persons had dealt for value in any Company Securities during the period beginning six months prior to 26 March 2015, being the date of the Subscription Agreement, and ending on the Latest Practicable Date.
- (d) As at the Latest Practicable Date, Shougang Holding had no intention to transfer, charge or pledge the Subscription Shares to any other persons upon the Subscription Completion.
- (e) As at the Latest Practicable Date, none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company nor the Independent Financial Adviser nor any other advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company or had dealt for value in any such securities of the Company during the Relevant Period.
- (f) As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and with Shougang Holding or any party acting in concert with it.
- (g) As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.
- (h) As at the Latest Practicable Date, the Director who holds Shares and who is eligible to exercise the voting rights attached to such Shares at the SGM is Mr. Leung Shun Sang, Tony and he intends in respect of his own beneficial shareholdings in the Company Securities, to vote in favour of the resolutions with respect to the Subscription and the Whitewash Waiver.
- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding existing whereby any securities to be acquired pursuant to the Subscription will be transferred, charged or pledged to any other persons.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group after the date of two years preceding the date of the Announcement and up to and including the date of issue of this circular and which are or may be material:

- (a) the Subscription Agreement;
- (b) the Placing Agreement;

- (c) the Capital Injection Agreement; and
- (d) the Master Facilities Agreement.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENTS

The following is the qualification of the expert who has given its opinions or advices contained in this circular:

Name	Qualification
Messis Capital Limited	Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report, as the case may be, and references to its name and logo in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group were made up; and were not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda and the principal place of business of the Company in Hong Kong is at Rooms 1101-04, 11th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.
- (b) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Ms. Cheng Man Ching, a fellow member of each of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries and an associate member of the Hong Kong Institute of Bankers. She holds a master degree in business administration and a master degree in arts.

- (d) The registered office of Shougang Holding is at 7/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (e) The registered office of the Independent Financial Adviser, Messis Capital Limited, is at Room 1606, 16/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (f) As at the Latest Practicable Date, there is no agreement, arrangement or understanding (including any compensation arrangement) between Shougang Holding or any person acting in concert with it and any of the Directors, recent Directors, Shareholders and recent Shareholders having any connection with or dependence upon the outcome of the Subscription, the specific mandate in relation to the Subscription and/or the Whitewash Waiver.
- (g) As at the Latest Practicable Date:
 - (i) There are no benefits to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscription, the specific mandate in relation to the Subscription and the Whitewash Waiver.
 - (ii) There is no agreement or arrangement between any Directors and any other person which is conditional on or dependent upon the outcome of the Subscription, the specific mandate in relation to the Subscription and the Whitewash Waiver or otherwise connected therewith.
 - (iii) There was no material contract entered into by Shougang Holding in which any Director had a material personal interest.
- (h) As at the Latest Practicable Date, none of the Independent Shareholders, the Directors or any other person had irrevocably committed themselves to vote for or against the Subscription, the specific mandates in relation to the Subscription and/or the Whitewash Waiver.
- (i) The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the Company's principal office in Hong Kong at Rooms 1101-04, 11th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday other than public holidays from the date of this circular up to and including the date of the Special General Meeting, (ii) on the website of the Company (www.shougang-grand.com.hk), and (iii) on the website of the SFC (www.sfc.hk):

- (a) the bye-laws of the Company;
- (b) the annual reports of the Company for years ended 31 December 2012, 2013 and 2014;

- (c) the letter from the Independent Board Committees, the text of which is set out on pages 38 to 41 of this circular;
- (d) the letter of advice from Messis Capital Limited to the Independent Board Committees and the Independent Shareholders, the text of which is set out on pages 42 to 80 of this circular;
- (e) the written consent referred to in the paragraph headed “Expert’s Qualification and Consents” in this appendix;
- (f) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (g) this circular.

NOTICE OF SPECIAL GENERAL MEETING



首長四方（集團）有限公司*
SHOUGANG CONCORD GRAND (GROUP) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 730)

NOTICE IS HEREBY GIVEN that a special general meeting of Shougang Concord Grand (Group) Limited (the “**Company**”) will be held at The Function Room, 2nd Floor, The Harbourview, 4 Harbour Road, Wanchai, Hong Kong on Friday, 19 June 2015 at 10:45 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

(1) “**THAT:**

- (a) the subscription agreement dated 26 March 2015 (the “**Subscription Agreement**”) entered into between the Company as issuer and Shougang Holding (Hong Kong) Limited (“**Shougang Holding**”) as subscriber in relation to the subscription of an aggregate of 920,000,000 new shares of HK\$0.01 each in the share capital of the Company (each a “**Subscription Share**”, and collectively, the “**Subscription Shares**”) at the subscription price of HK\$0.41 per Subscription Share, a copy of which has been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment of the conditions of the Subscription Agreement, any one director of the Company be and is hereby to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement within 30 days from the date of passing of this resolution;
- (c) the waiver (the “**Whitewash Waiver**”), granted or to be granted by the Executive Director (the “**Executive**”) of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to the Hong Kong Code on Takeovers and Mergers waiving any obligation on the part of Shougang Holding and parties acting in concert with it, to make a general offer for all the issued shares of the Company not already owned or agreed to be acquired by them as a result of the subscription of 920,000,000 Subscription Shares by Shougang Holding, be and is hereby approved; and

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (d) all other transactions contemplated under the Subscription Agreement be and are hereby approved and any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute any other documents for and on behalf of the Company, and to sign all such security documents, other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Subscription Agreement.”
- (2) **“THAT:**
- (a) the placing agreement dated 26 March 2015 (the **“Placing Agreement”**) entered into between the Company and VMS Securities Limited (the **“Placing Agent”**) in connection with the placing through the Placing Agent of new 600,000,000 new shares of HK\$0.01 each in the share capital of the Company (each a **“Placing Share”**, and collectively, the **“Placing Shares”**) at the placing price of HK\$0.41 per Placing Share on a fully-written basis, a copy of which has been produced to the meeting and marked **“B”** and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment of the conditions of the Placing Agreement, any one director of the Company be and is hereby authorised to allot and issue the Placing Shares within 30 days from the date of passing of this resolution; and
- (c) all other transactions contemplated under the Placing Agreement be and are hereby approved and any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute any other documents for and on behalf of the Company, and to sign all such security documents, other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Placing Agreement.”
- (3) **“THAT:**
- (a) the capital injection agreement dated 26 March 2015 (the **“Capital Injection Agreement”**) entered into among the Company, Shougang Holding, and South China International Leasing Company Limited (**“South China Leasing”**) pursuant to which the Company (through its subsidiaries) shall inject capital of approximately US\$97,500,000 and Shougang Holding shall inject capital of US\$40,500,000 respectively into South China Leasing by way of cash and/or transfer of undistributed profits, a copy of which has been produced to the meeting and marked **“C”** and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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- (b) all other transactions contemplated under the Capital Injection Agreement be and are hereby approved and any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute any other documents for and on behalf of the Company, and to sign all such security documents, other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Capital Injection Agreement.”
- (4) **“THAT:**
- (a) the master facilities agreement dated 26 March 2015 (the **“Master Facilities Agreement”**) entered into between the Company and Shougang Corporation, pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, facilities to Shougang Corporation and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years, a copy of which has been produced to the meeting and marked “D” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the annual caps of the facilities to be granted under the Master Facilities Agreement as set out in the circular of the Company dated 26 May 2015 be and is hereby approved; and
- (c) all other transactions to be entered into by the Company and/or its subsidiaries as contemplated under the Master Facilities Agreement be and are hereby approved and any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute any other documents for and on behalf of the Company, and to sign all such security documents, other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Master Facilities Agreement.”

By Order of the Board
Shougang Concord Grand (Group) Limited
Li Shaofeng
Chairman

Hong Kong, 26 May 2015

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Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. A proxy need not be a member of the Company.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of any officer, attorney or other person authorised to sign the same.
3. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting thereof (as the case may be).
4. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting or any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.