



SHOUGANG CONCORD GRAND  
(GROUP) LIMITED

Stock Code : 730

2015  
Interim Report



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## CORPORATE INFORMATION

### Board of Directors

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

### Executive Committee

Li Shaofeng (*Chairman*)  
Luo Zhenyu  
Wang Tian  
Wang Qinghua  
Yuan Wenxin

### Audit Committee

Tam King Ching, Kenny (*Chairman*)  
Zhou Jianhong  
Yip Kin Man, Raymond

### Nomination Committee

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

### Remuneration Committee

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

### Company Secretary

Cheng Man Ching

### Auditor

Deloitte Touche Tohmatsu

## **CORPORATE INFORMATION (continued)**

**Principal Registrar** Appleby Management (Bermuda) Ltd.  
Canon's Court  
22 Victoria Street  
Hamilton, HM 12  
Bermuda

**Hong Kong Branch  
Share Registrar and  
Transfer Office** Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Registered Office** Canon's Court  
22 Victoria Street  
Hamilton, HM 12  
Bermuda

**Principal Office in  
Hong Kong** Rooms 1101-04, 11th Floor  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

**Stock Code** 730

**Website** [www.shougang-grand.com.hk](http://www.shougang-grand.com.hk)

## INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Grand (Group) Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	25,217	26,884
Cost of sales		(16,231)	(15,588)
Gross profit		8,986	11,296
Other income	4	1,564	3,330
Distribution costs and selling expenses		(1,151)	(425)
Administrative expenses		(19,587)	(16,118)
Increase in fair value of investment properties		6,435	–
Changes in fair value of held-for-trading investments		1,639	(686)
Finance costs	5	(473)	(158)
Share of results of an associate		8,752	13,313
Profit before tax		6,165	10,552
Income tax expense	6	(935)	(230)
Profit for the period	7	5,230	10,322

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

For the six months ended 30 June 2015

		Six months ended 30 June	
	NOTE	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Other comprehensive income (expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange differences on translation		8	(6,396)
Share of translation difference of an associate		11	(7,858)
		19	(14,254)
<b>Item that may be reclassified subsequently to profit or loss:</b>			
Share of investment revaluation reserve of an associate		(8,659)	–
		(8,640)	(14,254)
<b>Total comprehensive expense for the period</b>		<b>(3,410)</b>	<b>(3,932)</b>
Profit (loss) for the period attributable to:			
Owners of the Company		5,246	10,359
Non-controlling interests		(16)	(37)
		5,230	10,322
Total comprehensive expense for the period attributable to:			
Owners of the Company		(3,394)	(3,877)
Non-controlling interests		(16)	(55)
		(3,410)	(3,932)
Earnings per share	9		
Basic (HK cents)		0.45	0.90
Diluted (HK cents)		0.45	0.90

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	18,969	19,398
Investment properties	11	122,585	116,150
Goodwill	12	52,935	52,935
Interests in associates	13	315,163	315,059
Finance lease receivables	14	355,377	250,514
Restricted bank deposits	23(iii)	21,324	21,302
Available-for-sale investments		5,251	5,251
Deferred tax assets		116	233
		<b>891,720</b>	<b>780,842</b>
<b>Current assets</b>			
Inventories		2,678	4,325
Amount due from an associate		388	388
Finance lease receivables	14	327,767	273,162
Entrusted loan payment receivable	15	73,456	–
Trade receivables	16	34	36
Prepayments, deposits and other receivables		9,205	7,708
Held-for-trading investments		8,676	11,036
Restricted bank deposits	23(iii)	8,953	8,930
Structured deposits	17	45,375	–
Bank balances and cash		818,865	292,107
		<b>1,295,397</b>	<b>597,692</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Current liabilities</b>			
Other payables and accruals		26,732	25,008
Income received in advance		3,851	3,247
Rental and management fee received in advance and other deposits received		782	940
Tax liabilities		12,247	12,118
Secured bank borrowings – due within one year	18	283,897	232,391
Security deposits received – due within one year	20	12,732	9,989
		<b>340,241</b>	283,693
<b>Net current assets</b>		<b>955,156</b>	313,999
<b>Total assets less current liabilities</b>		<b>1,846,876</b>	1,094,841
<b>Capital and reserves</b>			
Share capital	19	26,722	11,522
Retained earnings		661,714	656,468
Other reserves		805,908	211,487
Equity attributable to owners of the Company		<b>1,494,344</b>	879,477
Non-controlling interests		680	696
<b>Total equity</b>		<b>1,495,024</b>	880,173



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

		<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Income received in advance		<b>3,129</b>	2,361
Secured bank borrowings			
– due after one year	18	<b>309,298</b>	182,345
Security deposits received			
– due after one year	20	<b>33,301</b>	24,524
Deferred tax liabilities		<b>6,124</b>	5,438
		<b>351,852</b>	214,668
<b>Total equity and liabilities</b>		<b>1,846,876</b>	1,094,841

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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	Subtotal	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 2014 (audited)	11,522	1,007	-	-	115,576	63,549	28,297	646,087	866,038	757	866,795
Exchange differences on translation	-	-	-	-	-	(6,378)	-	-	(6,378)	(18)	(6,396)
Share of translation difference of an associate	-	-	-	-	-	(7,858)	-	-	(7,858)	-	(7,858)
Profit (loss) for the period	-	-	-	-	-	-	-	10,359	10,359	(37)	10,322
Total comprehensive (expense) income for the period	-	-	-	-	-	(14,236)	-	10,359	(3,877)	(55)	(3,932)
At 30 June 2014 (unaudited)	11,522	1,007	-	-	115,576	49,313	28,297	656,446	862,161	702	862,863
At 1 January 2015 (audited)	11,522	1,007	7,392	10,597	115,576	48,834	28,081	656,468	879,477	696	880,173
Exchange differences on translation	-	-	-	-	-	8	-	-	8	-	8
Share of translation difference of an associate	-	-	-	-	-	11	-	-	11	-	11
Share of investment revaluation reserve of an associate	-	-	-	(8,659)	-	-	-	-	(8,659)	-	(8,659)
Profit (loss) for the period	-	-	-	-	-	-	-	5,246	5,246	(16)	5,230
Total comprehensive (expense) income for the period	-	-	-	(8,659)	-	19	-	5,246	(3,394)	(16)	(3,410)
Issue of ordinary shares (Note 19)	15,200	608,000	-	-	-	-	-	-	623,200	-	623,200
Transaction costs attributable to issue of shares (Note (c))	-	(4,939)	-	-	-	-	-	-	(4,939)	-	(4,939)
At 30 June 2015 (unaudited)	26,722	604,068	7,392	1,938	115,576	48,853	28,081	661,714	1,494,344	680	1,495,024

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

Notes:

- (a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers as mentioned in Note (b) below.
- (b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK\$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK\$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.
- (c) The amount represented transaction costs incurred directly attributable to the issuance of shares upon the completion of shares placing and subscription on 29 June 2015.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	3,377	7,726
(Increase) decrease in finance lease receivables	(159,468)	41,981
Increase in entrusted loan payment receivable	(73,456)	–
Disposal of held-for-trading investments	4,000	–
Increase in security deposits received	11,520	2,110
Interest paid	(15,048)	(12,354)
Other operating cash flows	3,193	(1,850)
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<b>(225,882)</b>	<b>37,613</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of structured deposits	(45,375)	(25,000)
Placement of restricted bank deposits	(45)	–
Purchase of property, plant and equipment	(14)	(135)
Interest received	1,343	3,053
Proceeds from redemption of structured deposits	–	25,000
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(44,091)</b>	<b>2,918</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	618,261	–
New bank loan raised	250,000	16,250
Repayment of bank loans	(71,541)	(88,717)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>796,720</b>	<b>(72,467)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>526,747</b>	<b>(31,936)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>292,107</b>	<b>289,273</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>11</b>	<b>(2,719)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash</b>	<b>818,865</b>	<b>254,618</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 1. BASIS OF PREPARATION

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in these condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – finance leasing and other financial services, property leasing and building management services and assets management where assets management segment is engaged in investment management and trading of goods. These divisions are the basis that is regularly reviewed by the Chief Operating Decision Maker (“CODM”), being the Managing Director of the Company, in order to allocate resources to the segment and to assess its performance.

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

For the six months ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

#### Segment revenue and results

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

#### Six months ended 30 June 2015 (unaudited)

	Finance leasing and other financial services HK\$'000	Property leasing and building management services HK\$'000	Assets management HK\$'000	Consolidated HK\$'000
Segment revenue	20,883	2,580	1,754	25,217
Segment result	2,654	7,111	122	9,887
Other income				670
Central administration costs				(14,310)
Changes in fair value of held-for-trading investments				1,639
Finance costs				(473)
Share of results of an associate				8,752
Profit before tax				6,165

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

For the six months ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

#### Segment revenue and results (continued)

Six months ended 30 June 2014 (unaudited)

	Finance leasing and other financial services <i>HK\$'000</i>	Property leasing and building management services <i>HK\$'000</i>	Assets management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	21,499	1,840	3,545	26,884
Segment result	6,223	1,505	(195)	7,533
Other income				1,949
Central administration costs				(11,399)
Changes in fair value of held-for-trading investments				(686)
Finance costs				(158)
Share of results of an associate				13,313
Profit before tax				10,552

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

For the six months ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

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

Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, share of results of an associate, certain other income, finance costs and changes in fair value of held-for-trading investments. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

#### Segment assets and liabilities

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

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
<b>Segment assets</b>		
Finance leasing and other financial services	<b>1,620,034</b>	726,492
Property leasing and building management services	<b>123,597</b>	117,204
Assets management	<b>12,928</b>	39,141
Total segment assets	<b>1,756,559</b>	882,837
Interests in associates	<b>315,163</b>	315,059
Held-for-trading investments	<b>8,676</b>	11,036
Structured deposits	<b>45,375</b>	–
Other unallocated assets	<b>61,344</b>	169,602
Consolidated assets	<b>2,187,117</b>	1,378,534



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

For the six months ended 30 June 2015

### 3. SEGMENT INFORMATION (continued)

#### Segment assets and liabilities (continued)

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
<b>Segment liabilities</b>		
Finance leasing and other financial services	<b>649,253</b>	453,850
Property leasing and building management services	<b>809</b>	907
Assets management	<b>775</b>	701
Total segment liabilities	<b>650,837</b>	455,458
Tax liabilities	<b>12,247</b>	12,118
Unallocated secured bank borrowings	<b>22,852</b>	24,149
Other unallocated liabilities	<b>6,157</b>	6,636
Consolidated liabilities	<b>692,093</b>	498,361

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 financial services and other unallocated liabilities.

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

For the six months ended 30 June 2015

### 4. OTHER INCOME

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest income from bank deposits	813	2,535
Interest income from structured deposits	530	518
Dividend income from held-for-trading investments	107	243
Others	114	34
	<b>1,564</b>	<b>3,330</b>

### 5. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interest on bank borrowings wholly repayable within five years	15,048	12,354
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	(14,575)	(12,196)
	<b>473</b>	<b>158</b>

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

For the six months ended 30 June 2015

### 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax:		
Hong Kong	78	43
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT")	54	70
	132	113
Deferred taxation	803	117
	935	230

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

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 the Mainland China (for the purpose of this report, "Mainland China" refers to the mainland of the PRC and does not include Hong Kong, Macau and Taiwan), was 25% for the six months ended 30 June 2015 (six months ended 30 June 2014: 25%).

### 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	439	743

### 8. DIVIDEND

The directors of the Company (the "Directors") do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

For the six months ended 30 June 2015

### 9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	5,246	10,359
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,168,988	1,152,192
Effect of dilutive potential ordinary shares: Share options (Note)	9,585	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,178,573	1,152,192

Note: The computation of diluted earnings per share for the six months ended 30 June 2015 did not include the potential ordinary shares arising from the Company's certain share options (six months ended 30 June 2014: all share options) because the exercise prices of these share options were higher than the average market price of the shares of the Company for the period.

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

For the six months ended 30 June 2015

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

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of approximately HK\$14,000 (six months ended 30 June 2014: HK\$135,000).

### 11. INVESTMENT PROPERTIES

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Investment properties located in Hong Kong, at fair value	<b>99,210</b>	94,400
Investment property located in the PRC, at fair value	<b>23,375</b>	21,750
	<b>122,585</b>	116,150

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 30 June 2015 have been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited (31 December 2014: AA Property Services Limited), an independent qualified professional valuer not connected with the Group. Greater China Appraisal Limited is a registered firm of 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. Increase in fair value of investment properties of approximately HK\$6,435,000 (six months ended 30 June 2014: Nil) has been credited to profit or loss for the period.

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

Market comparable approach has been adopted for valuing the Group's residential property units. One of the key inputs used in valuing the Group's residential property units was the price per square foot, which ranged from HK\$11,402 to HK\$18,301 per square foot (31 December 2014: HK\$10,053 to HK\$17,540 per square foot). An increase in the price per square foot used would result in an increase in fair value measurement of the residential property units, and vice versa.

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

For the six months ended 30 June 2015

### 11. INVESTMENT PROPERTIES (continued)

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\$4,065 per square foot (31 December 2014: HK\$3,782 per square foot). 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 market rent per square foot which is HK\$45.4 (31 December 2014: HK\$45.0) and the discount rate of 12% (31 December 2014: 12%) used. Market rent per square foot is extrapolated using zero growth rate. An increase in the market rent per square foot or discount rate used would result in an increase or decrease in fair value measurement of the industrial property units, and vice versa.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2015 and 31 December 2014 are as follows:

	<b>Level 3 HK\$'000</b>	<b>Fair value at 30 June 2015 HK\$'000</b>
Residential and industrial property units located in Hong Kong	<b>99,210</b>	<b>99,210</b>
Commercial property units located in the PRC	<b>23,375</b>	<b>23,375</b>

  

	<b>Level 3 HK\$'000</b>	<b>Fair value at 31 December 2014 HK\$'000</b>
Residential and industrial property units located in Hong Kong	94,400	94,400
Commercial property units located in the PRC	21,750	21,750

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

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

For the six months ended 30 June 2015

### 12. GOODWILL

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

Goodwill has been allocated to the cash generating unit ("CGU") of finance leasing and other financial services division. During the six months ended 30 June 2015, the Directors determine that there is no impairment of the CGU represented by finance leasing and other financial services division.

### 13. INTERESTS IN ASSOCIATES

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Cost of investments in associates		
Listed in Hong Kong	<b>186,613</b>	186,613
Unlisted	–	–
Share of post-acquisition results	<b>210,258</b>	201,506
Share of post-acquisition translation reserve	<b>13,348</b>	13,337
Share of post-acquisition investment revaluation reserve	<b>1,938</b>	10,597
	<b>412,157</b>	412,053
Impairment loss	<b>(96,994)</b>	(96,994)
	<b>315,163</b>	315,059
Fair value of listed investments in Hong Kong	<b>408,651</b>	198,134
Carrying amount of interests in associates listed in Hong Kong	<b>315,163</b>	315,059

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*For the six months ended 30 June 2015*

### **13. INTERESTS IN ASSOCIATES (continued)**

As at 30 June 2015 and 31 December 2014, the Group held 40.78% of nominal value of issued share capital of Global Digital Creation Holdings Limited (“GDC”), a company listed on The Stock Exchange of Hong Kong Limited.

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

The recoverable amount of the investment in GDC as at 30 June 2015 and 31 December 2014 has been determined based on the value in use calculations which were more than the corresponding carrying value. The Group did not recognised any impairment loss (six months ended 30 June 2014: Nil) for the period ended 30 June 2015 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 30 June 2015 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. The cash flow projections for the computer graphic (“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% (31 December 2014: 16.5%) and a 3.5% (31 December 2014: 3.5%) growth rate after the 5-year period. Other key assumptions for the cash flow projections relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management’s expectations for the market development.

The cash flow projections for the investment in cultural park business has taken into account of the rental income of the property derived from the existing leases and the estimated future lease income capitalised at a market yield rate expected for similar type of property over the remaining period of the property leasing right.



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

For the six months ended 30 June 2015

### 14. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	293,971	253,473	252,924	218,707
In more than one year but not more than two years	204,150	135,873	183,854	119,036
In more than two years but not more than three years	138,482	81,830	130,273	72,728
In more than three years but not more than four years	35,748	38,895	33,738	35,000
In more than four years but not more than five years	7,543	24,405	7,512	23,750
Overdue/repayable on demand finance lease receivables	679,894	534,476	608,301	469,221
Less: Unearned finance lease income	74,843	54,455	74,843	54,455
	(71,593)	(65,255)	N/A	N/A
Present value of minimum lease receipts	683,144	523,676	683,144	523,676
Analysed as:				
Current finance lease receivables (receivable within 12 months)			327,767	273,162
Non-current finance lease receivables (receivable after 12 months)			355,377	250,514
			683,144	523,676
Fixed-rate finance lease receivables			129,156	151,112
Variable-rate finance lease receivables			553,988	372,564
			683,144	523,676

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

For the six months ended 30 June 2015

### 14. FINANCE LEASE RECEIVABLES (continued)

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

	<b>30 June 2015</b>	31 December 2014
Fixed-rate finance lease receivables	<b>3.0% to 15.0%</b>	3.0% to 15.0%
Variable-rate finance lease receivables	<b>6.1% to 9.5%</b>	7.0% to 9.7%

Included in the Group's overdue finance lease receivables are sixteen (31 December 2014: thirteen) lessees with a total carrying amount of approximately HK\$67,998,000 (31 December 2014: HK\$54,455,000) which is past due as at the end of the reporting period but not impaired. The receivables amount to approximately HK\$6,858,000 were settled up to August 2015 (31 December 2014: HK\$5,068,000 were settled up to March 2015). Finance lease receivable of approximately HK\$6,845,000 (31 December 2014: Nil) as at 30 June 2015 which is not past due but became repayable on demand in accordance with the terms and conditions of the finance lease arrangement.

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:

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Within three months	<b>14,903</b>	24,522
From three to six months	<b>15,084</b>	11,978
Over six months	<b>38,011</b>	17,955
	<b>67,998</b>	54,455

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.

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK\$38,195,000 (31 December 2014: HK\$38,195,000). In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

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

For the six months ended 30 June 2015

### 14. FINANCE LEASE RECEIVABLES (continued)

Security deposits of HK\$46,033,000 (31 December 2014: HK\$34,513,000) 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 30 June 2015.

The Group is not permitted to sell or repledge the collateral of the 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.

### 15. ENTRUSTED LOAN PAYMENT RECEIVABLE

Pursuant to the entrusted loan contract entered into between a related company (a subsidiary of Shougang Corporation, as defined in Note 24) and the Company on 28 January 2015, the Company agreed to provide the related company with entrusted loan amounting to approximately US dollars 9,302,000 (equivalent to approximately HK\$72,091,000) at a variable interest rate of 5.6% per annum, with a maturity date of 2 February 2016.

### 16. TRADE RECEIVABLES

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Rental receivables – aged within three months	<b>34</b>	36

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

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*For the six months ended 30 June 2015*

### **17. STRUCTURED DEPOSITS**

The structured deposits as at 30 June 2015 consist of deposits of approximately HK\$45,375,000 (31 December 2014: Nil) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 3.0% to 4.0% (31 December 2014: Nil) per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the banks, payable on maturity ranging from 60 to 92 days (31 December 2014: Nil) from the date of purchase. The structured deposits are designated at fair value through profit or loss on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are measured by reference to discounted cash flow approach as disclosed in Note 22, approximate to their carrying values.

No change in fair value for those deposits that have been matured has been recognised for the six months ended 30 June 2015 as the effect is not significant.

### **18. SECURED BANK BORROWINGS**

During the six months ended 30 June 2015, the Group obtained a new bank loan amounted to approximately HK\$250,000,000 (six months ended 30 June 2014: HK\$16,250,000), the proceeds were wholly used for finance leasing and other financial services operations. The new bank loan and certain existing bank loans were secured by the Group's certain finance lease receivables (Note 14) and carried interest at variable rate of The People's Bank of China plus a percentage spread of 0% to 20% (six months ended 30 June 2014: plus a percentage spread of 0% to 20%) and are repayable in instalments over a period of 1 to 5 years. During the period, the Group repaid bank loans amounted to approximately HK\$71,541,000 (six months ended 30 June 2014: HK\$88,717,000).

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

For the six months ended 30 June 2015

### 19. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2014, 31 December 2014 and 30 June 2015	10,000,000,000	100,000
<b>Issued and fully paid:</b>		
At 1 January 2014 and 31 December 2014	1,152,192,469	11,522
Issue of shares (Note)	1,520,000,000	15,200
At 30 June 2015	2,672,192,469	26,722

Note: Upon the completion of share placing and subscription by third parties and Shougang Holding (as defined in Note 24) on 29 June 2015, the Company issued 1,520,000,000 ordinary shares at the price of HK\$0.41 per share. The net proceeds from the placing and subscription is intended to be applied to the capital injection into South China International Leasing Co., Ltd. ("South China Leasing"), an indirect wholly-owned subsidiary of the Company.

### 20. SECURITY DEPOSITS RECEIVED

Security deposits of approximately HK\$46,033,000 (31 December 2014: HK\$34,513,000) have been received by the Group to secure the finance lease receivables and classified into current liabilities and non-current liabilities based on the finance lease instalment due date stipulated in the finance lease agreements.

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*For the six months ended 30 June 2015*

### **21. SHARE-BASED PAYMENTS**

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

The share options outstanding at 30 June 2015 were 134,738,000 (30 June 2014: 135,938,000).

No share option was granted or exercised during the six months ended 30 June 2015 and 2014.

During the six months ended 30 June 2015 and 2014, no share option was lapsed.

### **22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

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

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

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

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

For the six months ended 30 June 2015

### 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial assets	30 June 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK\$6,446,000 – in Mainland China: HK\$2,230,000	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	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\$45,375,000	N/A	Level 3	Discounted cash flows  Key unobservable inputs are: expected yields of 3.0% to 4.0% (31 December 2014: 3.3% to 4.2%) of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value  The higher the discount rate, the lower the fair value

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

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

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

For the six months ended 30 June 2015

### 22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

#### 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 recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

### 23. CHARGE ON ASSETS

As at 30 June 2015, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$99,210,000 (31 December 2014: HK\$94,400,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$22,852,000 (31 December 2014: HK\$24,149,000).
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$536,227,000 (31 December 2014: HK\$342,852,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$500,343,000 (31 December 2014: HK\$320,587,000).
- (iii) There were bank deposits of approximately HK\$30,277,000 (31 December 2014: HK\$30,232,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$193,785,000 (31 December 2014: HK\$235,490,000). The deposits carried interest at average interest rate of 0.35% (31 December 2014: 0.35%) per annum.

	<b>30 June 2015 HK\$'000 (unaudited)</b>	31 December 2014 HK\$'000 (audited)
Restricted bank deposits analysed for reporting purposes:		
Due within one year	<b>8,953</b>	8,930
Due after one year	<b>21,324</b>	21,302
	<b>30,277</b>	30,232



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

For the six months ended 30 June 2015

### 24. RELATED PARTY TRANSACTIONS

Apart from the amount due from an associate and the entrusted loan payment receivable disclosed in the condensed consolidated statement of financial position on pages 6 and 7 and Note 15, and the share subscription disclosed in Note 19, the Group also entered into other transactions with related parties during the period as disclosed below.

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

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

	Rental income (Note a)		Finance income (Note b)		Consultancy fee expense (Note b)		Management fee expense (Note b)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Shougang Holding	-	-	-	-	480	480	-	-
Related companies, subsidiaries of Shougang Corporation	-	-	6,904	-	-	-	-	-
An associate of Shougang Holding	-	-	-	-	-	-	420	420
Li Shaofeng, the Chairman of the Company	71	71	-	-	-	-	-	-

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

For the six months ended 30 June 2015

### 24. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

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

At 30 June 2015, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2014: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2014: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

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

Apart from the transactions with the related parties as disclosed in Note 24(a), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As of 30 June 2015, 100%, 100%, 18% and 96% (31 December 2014: 100%, N/A, 99% and 94%) of restricted bank deposits, structured deposits, bank balances and bank borrowings are held with these state-controlled financial institutions, respectively.

#### (c) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the six months ended 30 June 2015 and 2014 is as follows:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	3,695	2,975
Post-employment benefits	150	126
	<b>3,845</b>	<b>3,101</b>

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

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

For the six months ended 30 June 2015

### 25. 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 both 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.

### 26. RECLASSIFICATION

Certain comparative figures have been reclassified in the condensed consolidated financial statements, which have no effect on previous reported profit or equity, to conform with the current period’s presentation.

### 27. EVENTS AFTER THE REPORTING PERIOD

The Company, Shougang Holding and South China Leasing entered into a capital injection agreement on 26 March 2015. Pursuant to the capital injection agreement, the Company (through its subsidiaries) and Shougang Holding had injected capital of approximately US\$97,500,000 and US\$40,500,000, respectively, into South China Leasing on 7 August 2015 and 10 August 2015, respectively. 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.

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## TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED

*(incorporated in Bermuda with limited liability)*

### Introduction

We have reviewed the condensed consolidated financial statements of Shougang Concord Grand (Group) Limited (the “Company”) and its subsidiaries set out on pages 4 to 34, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 August 2015

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Performance

During the period under review, the Group has conducted certain material events to extend its business scale in the finance leasing and other financial services market in Mainland China (for the purpose of this report, “Mainland China” refers to the mainland of the People’s Republic of China and does not include Hong Kong, Macau and Taiwan) by expanding the sources of financial resources. It aims to grasp the favourable market situation so as to reap the benefits from the rapid growing industry. Details of which were set out in the circular of the Company dated 26 May 2015.

The Group recorded profit of approximately HK\$5,246,000 for the six months ended 30 June 2015 attributable to owners of the Company, representing a decrease of approximately 49% when compared with that profit of approximately HK\$10,359,000 for the six months ended 30 June 2014 attributable to owners of the Company. The decrease was mainly attributable to the decrease in the Group’s share of results of an associate.

The revenue of the Group for the six months ended 30 June 2015 was approximately HK\$25,217,000, which represented a slight decrease when compared to the revenue of approximately HK\$26,884,000 for the corresponding period in 2014.

The Group recorded a gross profit of approximately HK\$8,986,000 for the six months ended 30 June 2015, representing a gross profit margin of approximately 36%, which was a decrease when comparing with the gross profit margin of approximately 42% for the corresponding period in 2014. The declined gross profit margin was mainly contributed by the finance leasing and other financial services segment.

The Group recorded a share of profit of an associate of approximately HK\$8,752,000 for the six months ended 30 June 2015 (Six months ended 30 June 2014: HK\$13,313,000).

Basic earnings per share of the Group for the six months ended 30 June 2015 was HK0.45 cents (Six months ended 30 June 2014: HK0.90 cents).

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Overall Performance (continued)

#### *Finance Leasing and other financial services*

During the period under review, revenue from the finance leasing and other financial services segment decreased by 3% to approximately HK\$20,883,000 (Six months ended 30 June 2014: HK\$21,499,000), while the segment result recorded a profit of approximately HK\$2,654,000 (Six months ended 30 June 2014: HK\$6,223,000). The decrease in revenue from the finance leasing and other financial services segment was mainly attributable to the decrease in handling fee income. The decrease in segment result was mainly attributable to the decrease in handling fee income and increase in expenses.

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

As disclosed in the circular issued by the Company dated 26 May 2015, and as approved by the shareholders by way of poll at the special general meeting held on 19 June 2015, the Company entered into the Master Facilities Agreement with Shougang Corporation. Pursuant to which, the Facilities shall be provided to Shougang Corporation in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years by way of finance lease and entrusted payment. It is believed that the potential return under the Master Facilities Agreement would be beneficial to the Group and contribute stable income 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.

Based on the ever strengthening and improving risk control mechanism, the finance leasing and other financial services segment insisted on optimizing management system, enriching business team to solidify existing clients and proactively explore customers with good quality so as to promote an expanded business scale and increase overall revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Overall Performance (continued)

#### *Property Investment and Management*

During the period under review, revenue from the property leasing and building management services segment increased by 40% to approximately HK\$2,580,000 (Six months ended 30 June 2014: HK\$1,840,000), while the segment result recorded a profit of approximately HK\$7,111,000 (Six months ended 30 June 2014: HK\$1,505,000). The increase in revenue from the property leasing and building management services segment was mainly attributable to the rise in the rentable floor areas and the Group's continuous optimization of the quality of the investment properties to improve rental value. The increase in segment result was mainly caused by the increase in fair value of the investment properties of the Group and the growth in rental income.

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

#### *Assets Management*

During the period under review, revenue from the assets management segment decreased by 51% to approximately HK\$1,754,000 (Six months ended 30 June 2014: HK\$3,545,000), while the segment result recorded a profit of approximately HK\$122,000 (Six months ended 30 June 2014: loss of HK\$195,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. The turnaround in the segment result was caused by effective cost control and increase in gain from investments.

Relying on the good business base and network built up in the past several years in Mainland China, the Group will pay close attention to the economic development in Mainland China by tracking industries with good growth potential, exploring investment opportunities which are suitable for the long-term strategic development of the Group, promoting positive interaction among projects and enriching the assets management business at the same time.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to match business characteristics and cash flows. The financial leverage of the Group as at 30 June 2015 as compared to 31 December 2014 is summarized below:

	<b>30 June 2015 HK\$'000</b>	31 December 2014 HK\$'000
Total borrowings		
Current borrowings	<b>283,897</b>	232,391
Non-current borrowings	<b>309,298</b>	182,345
sub-total	<b>593,195</b>	414,736
Total cash		
Bank balances and cash	<b>818,865</b>	292,107
Structured deposits	<b>45,375</b>	–
Restricted bank deposits	<b>30,277</b>	30,232
sub-total	<b>894,517</b>	322,339
(Net cash)/Net borrowings	<b>(301,322)</b>	92,397
Total equity	<b>1,495,024</b>	880,173
Total assets	<b>2,187,117</b>	1,378,534
Financial leverage		
Net debt to total equity	<b>N/A</b>	10%
Net debt to total assets	<b>N/A</b>	7%
Current ratio	<b>381%</b>	211%

As at 30 June 2015, the Group had bank balances and cash of approximately HK\$818,865,000 (31 December 2014: HK\$292,107,000), structured deposits of approximately HK\$45,375,000 (31 December 2014: Nil) and restricted bank deposits of approximately HK\$30,277,000 (31 December 2014: HK\$30,232,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to the net proceeds from the subscription and placing of new shares of the Company during the period under review of approximately HK\$618,261,000 in total and the net cash inflow from bank borrowings of approximately HK\$178,459,000 netting off with net cash outflow from operating activities of approximately HK\$225,882,000.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity, Financial Resources and Financing Activities (continued)

As at 30 June 2015, the Group's borrowings amounted to approximately HK\$593,195,000, of which approximately HK\$283,897,000 were repayable within twelve months from 30 June 2015 and approximately HK\$309,298,000 were repayable after twelve months from 30 June 2015. During the period under review, the Group obtained new bank borrowings of approximately HK\$250,000,000 applying for finance leasing and other financial services business. All loans borne interest at market rates.

### Capital Structure

The equity attributable to owners of the Company amounted to approximately HK\$1,494,344,000 as at 30 June 2015 (31 December 2014: HK\$879,477,000). The increase was mainly due to increase in share capital and share premium of approximately HK\$618,261,000 in total during the period under review and the profits for the six months ended 30 June 2015 attributable to owners of the Company of approximately HK\$5,246,000 was offsetted by an amount transfer out of share of investment revaluation reserve of an associate of approximately HK\$8,659,000 during the period. The Company has issued new shares of 1,520 million shares during the period under review. As at 30 June 2015, the issued share capital of the Company was approximately HK\$26,722,000 (represented by approximately 2,672 million ordinary shares in issue) (31 December 2014: HK\$11,522,000 (represented by approximately 1,152 million ordinary shares in issue)).

### Material Acquisition, Disposals and Significant Investment

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2015.

### Charge on Assets

As at 30 June 2015, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$99,210,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$22,852,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$536,227,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$500,343,000.
- (iii) There were bank deposits of approximately HK\$30,277,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings with outstanding amount of approximately HK\$193,785,000.

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

### **Foreign Exchange Exposure**

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 30 June 2015, the Group has no significant foreign exchange exposure.

### **Contingent Liabilities**

The Group had no significant contingent liabilities as at 30 June 2015.

### **Employees**

As at 30 June 2015, the Group employed 51 (31 December 2014: 51) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or by special increment.

During the six months ended 30 June 2015, the Company and its subsidiaries has not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

### **INTERIM DIVIDEND**

The Board did not declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2015 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2015 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the issued share capital of the Company as at 30.06.2015
		Interests in shares	Derivative interests*	Total interests	
Li Shaofeng	Beneficial owner	-	11,000,000	11,000,000	0.41%
Luo Zhenyu	Beneficial owner	-	9,000,000	9,000,000	0.33%
Wang Tian	Beneficial owner	4,000,000	11,094,000	15,094,000	0.56%
Yuan Wenxin	Beneficial owner	4,000,000	15,094,000	19,094,000	0.71%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,000	27,646,000	1.03%
Tam King Ching, Kenny	Beneficial owner	-	2,286,000	2,286,000	0.08%
Zhou Jianhong	Beneficial owner	-	2,286,000	2,286,000	0.08%
Yip Kin Man, Raymond	Beneficial owner	-	2,286,000	2,286,000	0.08%

\* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK\$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

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

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

Name of Director	Capacity in which interests were held	Number of shares in GDC	Interests as to % of the issued share capital of GDC as at 30.06.2015
Wang Tian	Beneficial owner	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	30,008,200	1.97%
Zhou Jianhong	Beneficial owner	100,410	0.00%

Save as disclosed above, as at 30 June 2015, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2015.

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

As at 30 June 2015, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2015	Note(s)
Shougang Corporation	Interests of controlled corporations	1,350,491,315	50.53%	1
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	1,350,491,315	50.53%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	1,350,491,315	50.53%	1
Yip Wang Ngai	Interests of controlled corporation	213,600,000	7.99%	2
HY Holdings Limited ("HY Holdings")	Beneficial owner	213,600,000	7.99%	2

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

### Long positions in the shares/underlying shares of the Company (continued)

Notes:

1. Shougang Corporation indicated in its disclosure form dated 29 June 2015 (being the latest disclosure form filed up to 30 June 2015) that as at 29 June 2015, its interest in the Company was held by Shougang Holding, a wholly-owned subsidiary of Shougang Corporation. Shougang Holding's interest in the Company was the Shares held by Wheeling, a wholly-owned subsidiary of Shougang Holding.
2. Mr. Yip Wang Ngai indicated in his disclosure form dated 30 June 2015 (being the latest disclosure form filed up to 30 June 2015) that as at 29 June 2015, his interest in the Company was held by HY Holdings which in turn was held as to 80% by Mr. Yip Wang Ngai.

Save as disclosed above, as at 30 June 2015, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

### SHARE OPTIONS

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

## SHARE OPTIONS (continued)

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

### (a) The 2002 Scheme

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2015. Details of the outstanding share options under the 2002 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
<b>Directors of the Company</b>				
Li Shaofeng	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Luo Zhenyu	9,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
Wang Tian	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	11,094,000			
Yuan Wenxin	9,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	15,094,000			
Leung Shun Sang, Tony	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	19,368,000			
Tam King Ching, Kenny	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	2,286,000			



## SHARE OPTIONS (continued)

### (a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
<b>Directors of the Company (continued)</b>				
Zhou Jianhong	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	<u>2,286,000</u>			
Yip Kin Man, Raymond	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	<u>2,286,000</u>			
	<u>72,414,000</u>			
<b>Employees of the Group</b>				
	1,900,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	7,220,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	<u>9,120,000</u>			
<b>Other participants</b>				
	34,104,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	<u>53,204,000</u>			
	<u>134,738,000</u>			

## **SHARE OPTIONS (continued)**

### **(b) The 2012 Scheme**

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2015, there was no share option outstanding under the 2012 Scheme.

## **AUDIT COMMITTEE**

The Company has engaged the Auditor to assist the Audit Committee to review the 2015 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2015 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2015.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2015.

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

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2015.

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

The following is the change in the information of Director since the date of the 2014 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:—

Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, is a non-executive director of Shougang Concord Technology Holdings Limited, a Hong Kong listed company. The company name of Shougang Concord Technology Holdings Limited has been changed to HNA International Investment Holdings Limited from 23 April 2015.

## APPRECIATION

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

By Order of the Board  
**Li Shaofeng**  
*Chairman*

Hong Kong, 27 August 2015