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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)

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**INTERIM RESULTS**

The board of directors (the “Board”) of Shougang Concord Grand (Group) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016. 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 2016*

	<i>NOTES</i>	<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	3	<b>60,427</b>	25,217
Cost of sales		<b>(38,230)</b>	(16,231)
Gross profit		<b>22,197</b>	8,986
Other income	4	<b>7,070</b>	1,564
Distribution costs and selling expenses		<b>(428)</b>	(1,151)
Administrative expenses		<b>(14,249)</b>	(19,587)
Net (decrease) increase in fair value of investment properties		<b>(1,650)</b>	6,435
Changes in fair value of held-for-trading investments		<b>(466)</b>	1,639
Impairment loss on finance lease receivables		<b>(1,671)</b>	–
Finance costs	5	<b>(133)</b>	(473)
Share of results of an associate		<b>300</b>	8,752

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
Profit before tax		<b>10,970</b>	6,165
Income tax expense	6	<u><b>(4,304)</b></u>	<u>(935)</u>
Profit for the period	7	<u><b>6,666</b></u>	<u>5,230</u>
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation		<b>(14,299)</b>	8
Share of translation difference of an associate		<u><b>(7,656)</b></u>	<u>11</u>
		<b>(21,955)</b>	19
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of investment revaluation reserve of an associate		<u><b>(1,309)</b></u>	<u>(8,659)</u>
		<b>(23,264)</b>	(8,640)
Total comprehensive expense for the period		<u><b>(16,598)</b></u>	<u>(3,410)</u>
Profit (loss) for the period attributable to:			
Owners of the Company		<b>2,327</b>	5,246
Non-controlling interests		<u><b>4,339</b></u>	<u>(16)</u>
		<u><b>6,666</b></u>	<u>5,230</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		<b>(17,459)</b>	(3,394)
Non-controlling interests		<u><b>861</b></u>	<u>(16)</u>
		<u><b>(16,598)</b></u>	<u>(3,410)</u>
Earnings per share	8		
Basic (HK cents)		<u><b>0.09</b></u>	<u>0.45</u>
Diluted (HK cents)		<u><b>0.09</b></u>	<u>0.45</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

		30 June 2016	31 December 2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	17,028	17,515
Investment properties	10	124,895	126,912
Goodwill	11	52,935	52,935
Interests in associates	12	286,299	294,964
Finance lease receivables	13	1,206,189	1,450,479
Available-for-sale investments		4,885	4,942
Restricted bank deposits	19(iii)	25,200	25,496
Deferred tax assets		9,822	10,448
		<b>1,727,253</b>	<b>1,983,691</b>
<b>Current assets</b>			
Inventories		3,468	3,200
Amount due from an associate		388	388
Finance lease receivables	13	668,338	715,778
Entrusted loan payment receivable	14	–	75,477
Trade receivables	15	29	81
Prepayments, deposits and other receivables		6,947	8,078
Held-for-trading investments		4,433	4,916
Structured deposits	16	106,977	90,588
Restricted bank deposits	19(iii)	10,849	9,704
Bank balances and cash		417,199	439,651
		<b>1,218,628</b>	<b>1,347,861</b>

		<b>30 June</b>	31 December
		<b>2016</b>	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Current liabilities</b>			
Other payables and accruals		<b>37,986</b>	57,728
Income received in advance		<b>6,672</b>	7,666
Rental and management fee received in advance and other deposits received		<b>824</b>	997
Tax liabilities		<b>11,315</b>	8,261
Secured bank borrowings – due within one year	<i>17</i>	<b>488,003</b>	590,561
Security deposits received – due within one year	<i>13</i>	<b>7,067</b>	10,150
		<u><b>551,867</b></u>	<u>675,363</u>
<b>Net current assets</b>		<u><b>666,761</b></u>	<u>672,498</u>
<b>Total assets less current liabilities</b>		<u><b>2,394,014</b></u>	<u>2,656,189</u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>26,722</b>	26,722
Retained earnings		<b>602,983</b>	600,072
Other reserves		<b>707,416</b>	727,786
		<u><b>1,337,121</b></u>	<u>1,354,580</u>
Equity attributable to owners of the Company		<b>1,337,121</b>	1,354,580
Non-controlling interests		<b>282,307</b>	281,446
		<u><b>1,619,428</b></u>	<u>1,636,026</u>
<b>Total equity</b>		<u><b>1,619,428</b></u>	<u>1,636,026</u>
<b>Non-current liabilities</b>			
Income received in advance		<b>6,823</b>	9,644
Secured bank borrowings – due after one year	<i>17</i>	<b>716,676</b>	957,878
Security deposits received – due after one year	<i>13</i>	<b>51,087</b>	52,641
		<u><b>774,586</b></u>	<u>1,020,163</u>
<b>Total equity and liabilities</b>		<u><b>2,394,014</b></u>	<u>2,656,189</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	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 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 18)	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)	<u>26,722</u>	<u>604,068</u>	<u>7,392</u>	<u>1,938</u>	<u>115,576</u>	<u>48,853</u>	<u>28,081</u>	<u>661,714</u>	<u>1,494,344</u>	<u>680</u>	<u>1,495,024</u>
At 1 January 2016 (audited)	26,722	604,068	7,392	2,269	115,576	(29,600)	28,081	600,072	1,354,580	281,446	1,636,026
Exchange differences on translation	-	-	-	-	-	(10,821)	-	-	(10,821)	(3,478)	(14,299)
Share of translation difference of an associate	-	-	-	-	-	(7,656)	-	-	(7,656)	-	(7,656)
Share of investment revaluation reserve of an associate	-	-	-	(1,309)	-	-	-	-	(1,309)	-	(1,309)
Profit for the period	-	-	-	-	-	-	-	2,327	2,327	4,339	6,666
Total comprehensive (expense) income for the period	-	-	-	(1,309)	-	(18,477)	-	2,327	(17,459)	861	(16,598)
Lapse of share options	-	-	-	-	-	-	(584)	584	-	-	-
At 30 June 2016 (unaudited)	<u>26,722</u>	<u>604,068</u>	<u>7,392</u>	<u>960</u>	<u>115,576</u>	<u>(48,077)</u>	<u>27,497</u>	<u>602,983</u>	<u>1,337,121</u>	<u>282,307</u>	<u>1,619,428</u>

*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 share subscription on 29 June 2015.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 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 the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidation financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

The application of the above 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. REVENUE AND 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 and other financial services, 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 segments.

#### For the six months ended 30 June 2016 (unaudited)

	<b>Finance leasing and other financial services <i>HK\$'000</i></b>	<b>Property leasing and building management services <i>HK\$'000</i></b>	<b>Assets management <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment revenue	<u>56,270</u>	<u>2,359</u>	<u>1,798</u>	<u>60,427</u>
Segment result	<u>19,416</u>	<u>443</u>	<u>(130)</u>	19,729
Other income				92
Central administration costs				(8,552)
Changes in fair value of held-for-trading investments				(466)
Finance costs				(133)
Share of results of an associate				<u>300</u>
Profit before tax				<u>10,970</u>

#### For the six months ended 30 June 2015 (unaudited)

	<b>Finance leasing and other financial services <i>HK\$'000</i></b>	<b>Property leasing and building management services <i>HK\$'000</i></b>	<b>Assets management <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Segment revenue	<u>20,883</u>	<u>2,580</u>	<u>1,754</u>	<u>25,217</u>
Segment result	<u>2,654</u>	<u>7,111</u>	<u>122</u>	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				<u>8,752</u>
Profit before tax				<u>6,165</u>



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

Segment result represents the profit earned or loss incurred by each segment without allocation of central administration costs including directors' salaries, certain other income, changes in fair value of held-for-trading investments, finance costs and share of results of an associate. 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 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>Segment assets</b>		
Finance leasing and other financial services	2,401,752	2,772,828
Property leasing and building management services	125,462	127,947
Assets management	<u>12,456</u>	<u>24,621</u>
Total segment assets	<b>2,539,670</b>	2,925,396
Interests in associates	<b>286,299</b>	294,964
Held-for-trading investments	<b>4,433</b>	4,916
Structured deposits	<b>106,977</b>	90,588
Other unallocated corporate assets	<u><b>8,502</b></u>	<u>15,688</u>
Consolidated assets	<u><b>2,945,881</b></u>	<u>3,331,552</u>
	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
<b>Segment liabilities</b>		
Finance leasing and other financial services	1,300,486	1,663,917
Property leasing and building management services	1,111	1,648
Assets management	<u>626</u>	<u>810</u>
Total segment liabilities	<b>1,302,223</b>	1,666,375
Unallocated secured bank borrowings	<b>20,235</b>	21,547
Other unallocated corporate liabilities	<u><b>3,995</b></u>	<u>7,604</u>
Consolidated liabilities	<u><b>1,326,453</b></u>	<u>1,695,526</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 unallocated secured bank borrowings not for finance leasing and other financial services and other unallocated corporate liabilities.

#### 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest income from bank deposits	<b>1,940</b>	813
Interest income from structured deposits	<b>1,544</b>	530
Dividend income from held-for-trading investments	<b>20</b>	107
Interest penalty received on overdue finance lease receivables	<b>3,493</b>	–
Others	<b>73</b>	114
	<u><b>7,070</b></u>	<u>1,564</u>

#### 5. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
Interest on bank borrowings	<b>36,664</b>	15,048
Amortisation of loan raising costs	<b>1,420</b>	–
	<u><b>38,084</b></u>	<u>15,048</u>
Less: amounts included in cost of sales	<u><b>(37,951)</b></u>	<u>(14,575)</u>
	<u><b>133</b></u>	<u>473</u>

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	82	78
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	5,479	54
	<u>5,561</u>	<u>132</u>
Overprovision in prior years:		
PRC EIT	(1,778)	–
Deferred taxation	<u>521</u>	<u>803</u>
	<u><u>4,304</u></u>	<u><u>935</u></u>

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 announcement, "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 2016 (six months ended 30 June 2015: 25%).

## 7. PROFIT FOR THE PERIOD

Profit for the period has been arrived after charging:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	<u>336</u>	<u>439</u>

## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>2,327</u>	<u>5,246</u>
	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<i>'000</i>	<i>'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,672,192</b>	1,168,988
Effect of dilutive potential ordinary shares from share options	<u>–</u>	<u>9,585</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,672,192</b></u>	<u>1,178,573</u>

For the six months ended 30 June 2016, the computation of diluted earnings per share does not include the potential ordinary shares arising from Company's all (2015: certain) share options because the exercise prices of these share options were higher than the average market price of the shares of the Company for the period.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately HK\$48,000 (six months ended 30 June 2015: HK\$14,000).

## 10. INVESTMENT PROPERTIES

	<b>30 June 2016</b>	31 December 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(audited)
Investment property units located in Hong Kong, at fair value	<b>94,430</b>	97,500
Investment property units located in Mainland China, at fair value	<b>30,465</b>	29,412
	<b>124,895</b>	126,912

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 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal 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. Net decrease in fair value of investment properties of approximately HK\$1,650,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: increase in fair value of investment properties of HK\$6,435,000) has been debited/credited to profit or loss.

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\$10,238 to HK\$17,667 per square foot (31 December 2015: HK\$10,979 to HK\$17,751 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\$5,298 per square foot (31 December 2015: HK\$5,115 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 (31 December 2015: HK\$46) and the discount rate of 12% (31 December 2015: 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 2016 and 31 December 2015 are as follows:

	Level 3		Fair value	
	30 June 2016 <i>HK\$'000</i> (unaudited)	31 December 2015 <i>HK\$'000</i> (audited)	30 June 2016 <i>HK\$'000</i> (unaudited)	31 December 2015 <i>HK\$'000</i> (audited)
Residential and industrial property units located in Hong Kong	94,430	97,500	94,430	97,500
Commercial property units located in Mainland China	30,465	29,412	30,465	29,412

There were no transfers into or out of Level 3 during the six months ended 30 June 2016 and 2015.

## 11. 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 segment. During the six months ended 30 June 2016 and 2015, the directors of the Company (the "Directors") determine that there is no impairment of the CGU represented by finance leasing and other financial services segment.

## 12. INTERESTS IN ASSOCIATES

	30 June 2016 <i>HK\$'000</i> (unaudited)	31 December 2015 <i>HK\$'000</i> (audited)
Cost of investments in associates		
Listed in Hong Kong	186,613	186,613
Unlisted	–	–
Share of post-acquisition results	206,289	205,989
Share of post-acquisition translation reserve	(10,569)	(2,913)
Share of post-acquisition investment revaluation reserve	960	2,269
	<u>383,293</u>	<u>391,958</u>
Impairment loss	(96,994)	(96,994)
	<u>286,299</u>	<u>294,964</u>
Fair value of listed investments in Hong Kong	<u>179,559</u>	<u>235,284</u>
Carrying amount of interests in associates listed in Hong Kong	<u>286,299</u>	<u>294,964</u>

As at 30 June 2016 and 31 December 2015, 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 2016 and 31 December 2015 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 (six months ended 30 June 2015: Nil) for the six months period ended 30 June 2016 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 30 June 2016 has been determined based on the Group’s share of the present value of the estimated future cash flows expected to be generated by GDC, including the cash flows from the operations of each of the business units consisting of the computer graphic (“CG”) creation and production, CG training courses business, the cultural park property leasing business. The cash flow projections for the CG creation and production, CG training courses business and the cultural park 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 2015: 16.5%) and a 3.5% (31 December 2015: 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 cultural park property leasing business have taken into account of the rental income derived from the existing leases of the Phase I completed properties of 珠影文化產業園 (“Pearl River Film Cultural Park”) 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.

The Phase II of the Pearl River Film Cultural Park represents the properties interest under construction of GDC which is to be developed as an entertainment and film production and development area. As explained in the Note 13 to the condensed consolidated financial statements of GDC, the original period during which construction was to be completed in accordance with the framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the “Framework Agreement”) has expired. 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of GDC, in the Intermediate People’s Court of Guangzhou City of Guangdong Province of the PRC (中國廣東省廣州市中級人民法院) (“Guangzhou Intermediate People’s Court”) in respect of an alleged breach of the Framework Agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach which is amounted to approximately RMB75,779,000 and also demanded to terminate the Framework Agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand that the Plaintiff continue executing the Framework Agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss which is amounted to RMB100,000,000. With the permission of the Guangzhou Intermediate People’s Court, GDC has entered into settlement negotiations with Pearl River Film Production, however, the ultimate outcomes of the settlement negotiations and the related lawsuits between Pearl River Film Production and Guangdong Cultural Park cannot be assessed at this stage. Accordingly, there may be an impact to GDC on the carrying value of the properties interest under construction and provision for compensation of damages depending on the ultimate conclusion of the settlement negotiations and the related lawsuits (please refer to Notes 13, 25(1)(a) and 25(1)(b) to the

condensed consolidated financial statements of GDC for details). This may have a consequential adverse impact on the Group's share of results of an associate and its carrying amount of its interests in associates. However, the Directors consider that the ultimate outcomes of the settlement negotiations and the related lawsuits cannot be assessed at this stage and accordingly no adjustment has been made by the Directors in respect of the assessment of the recoverable amount of the Group's investment in GDC referred to above.

### 13. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Finance lease receivables comprise:				
Within one year	679,553	761,728	640,120	690,713
In more than one year				
but not more than two years	734,159	791,975	672,292	715,185
In more than two years				
but not more than three years	548,736	769,438	529,203	734,118
In more than three years				
but not more than four years	2,855	1,233	2,618	1,176
In more than four years				
but not more than five years	2,142	–	2,076	–
	<u>1,967,445</u>	<u>2,324,374</u>	<u>1,846,309</u>	<u>2,141,192</u>
Overdue finance lease receivables	28,218	25,065	28,218	25,065
Less: Unearned finance lease income	<u>(121,136)</u>	<u>(183,182)</u>	<u>N/A</u>	<u>N/A</u>
Present value of minimum lease receipts	<u><u>1,874,527</u></u>	<u><u>2,166,257</u></u>	<u><u>1,874,527</u></u>	<u><u>2,166,257</u></u>
Analysed as:				
Current finance lease receivables (receivable within 12 months)			668,338	715,778
Non-current finance lease receivables (receivable after 12 months)			<u>1,206,189</u>	<u>1,450,479</u>
			<u><u>1,874,527</u></u>	<u><u>2,166,257</u></u>
Fixed-rate finance lease receivables			841,252	911,837
Variable-rate finance lease receivables			<u>1,033,275</u>	<u>1,254,420</u>
			<u><u>1,874,527</u></u>	<u><u>2,166,257</u></u>



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

	<b>30 June 2016</b>	31 December 2015
Fixed-rate finance lease receivables	<b>3.0% to 15.0%</b>	3.0% to 15.0%
Variable-rate finance lease receivables	<b>5.2% to 6.3%</b>	5.2% to 6.2%

#### **Movement in provision for finance lease receivables**

	<i>HK\$'000</i>
At 1 January 2015 (audited)	38,195
Impairment loss recognised	81,723
Written off of impairment losses previously recognised	(4,982)
Exchange realignment	<u>(2,583)</u>
At 31 December 2015 (audited)	112,353
Impairment loss recognised	1,671
Exchange realignment	<u>(1,306)</u>
At 30 June 2016 (unaudited)	<u><u>112,718</u></u>

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK\$112,718,000 (31 December 2015: HK\$112,353,000), which the borrowers were either under severe financial difficulties, placed in liquidation or in legal proceedings. In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

Included in the Group's overdue finance lease receivables are twelve (31 December 2015: twelve) lessees with a total carrying amount of approximately HK\$28,218,000 (31 December 2015: HK\$25,065,000) which is past due as at the end of the reporting period but not impaired.

In addition, the finance lease receivables are secured over the leased assets mainly machineries and hopper dredgers as at 30 June 2016 and 31 December 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 leases, 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 receivable is updated by reference to market value such as recent transaction price of the assets.

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 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Within three months	<b>8,225</b>	9,053
From three to six months	<b>7,807</b>	4,395
Over six months	<b>12,186</b>	11,617
	<b><u>28,218</u></b>	<b><u>25,065</u></b>

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\$58,154,000 (31 December 2015: HK\$62,791,000) 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.

	<b>30 June 2016 HK\$'000 (unaudited)</b>	31 December 2015 HK\$'000 (audited)
Analysed as:		
Security deposits received – due within one year	<b>7,067</b>	10,150
Security deposits received – due after one year	<b>51,087</b>	52,641
	<b><u>58,154</u></b>	<b><u>62,791</u></b>

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

#### **14. ENTRUSTED LOAN PAYMENT RECEIVABLE**

Pursuant to the entrusted loan contract entered into between a related company (a subsidiary of Shougang Corporation) and the Group on 28 January 2015, the Group agreed to provide the related company with entrusted loan amounting to approximately US\$9,302,000 (equivalent to approximately HK\$72,093,000) at a fixed interest rate of 5.6% per annum, with a maturity date of 2 February 2016. Interest income of HK\$691,000 (six months ended 30 June 2015: HK\$1,354,000) has been recognised in profit or loss during the six months ended 30 June 2016. The amount was settled in February 2016.

## **15. TRADE RECEIVABLES**

The amount represents rental receivable which are past due at the end of the reporting period for which the Group has not provided for impairment loss as they have been fully settled subsequent to the end of the reporting period. The Group did not hold any collateral over the balance.

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

## **16. STRUCTURED DEPOSITS**

The structured deposits as at 30 June 2016 consist of deposits of approximately HK\$106,977,000 (31 December 2015: HK\$90,588,000) denominated in Renminbi and issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 2.7% to 3.2% (31 December 2015: 3.0% to 3.6%) 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 28 to 185 days (31 December 2015: 90 to 91 days) from the date of purchase or being redeemed on demand. 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, approximate to their carrying values.

Structured deposits amounting to approximately HK\$95,349,000 were redeemed subsequent to the reporting period. 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 six months ended 30 June 2016 as the effect was not significant.

## **17. SECURED BANK BORROWINGS**

During the six months ended 30 June 2016, the Group had not raised new bank loan (six months ended 30 June 2015: HK\$250,000,000). Certain existing bank loans were secured by the Group's certain finance lease receivables (Note 13) and carried interest at variable rate of The People's Bank of China plus a percentage spread of 0% to 15% (six months ended 30 June 2015: plus a percentage spread of 0% to 20%) and are repayable in instalments over a period of 1 to 5 years. During the six months ended 30 June 2016, the Group repaid bank loans amounted to approximately HK\$328,239,000 (six months ended 30 June 2015: HK\$71,541,000).

## 18. SHARE CAPITAL

	Number of shares	Amount <i>HK\$000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	<b>10,000,000,000</b>	<b>100,000</b>
Issued and fully paid:		
At 1 January 2015	<b>1,152,192,469</b>	<b>11,522</b>
Issue of shares ( <i>Note</i> )	<b>1,520,000,000</b>	<b>15,200</b>
At 30 June 2015, 1 January 2016 and 30 June 2016	<b>2,672,192,469</b>	<b>26,722</b>

*Note:* Upon the completion of share placing by third parties and share subscription by Shougang Holding (Hong Kong) Limited (“Shougang Holding”) 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 was applied to the capital injection into South China International Leasing Co., Ltd (“South China Leasing”), an indirect non-wholly-owned subsidiary of the Company.

## 19. CHARGE ON ASSETS

As at 30 June 2016, the Group has the following charge on assets:

- (i) The Group’s investment properties with an aggregate carrying value of approximately HK\$94,430,000 (31 December 2015: HK\$97,500,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$20,235,000 (31 December 2015: HK\$21,547,000).
- (ii) The Group’s finance lease receivables with a carrying value of approximately HK\$1,186,567,000 (31 December 2015: HK\$1,463,190,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$1,184,444,000 (31 December 2015: HK\$1,456,892,000).
- (iii) There were bank deposits of approximately HK\$36,049,000 (31 December 2015: HK\$35,200,000) 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\$201,692,000 (31 December 2015: HK\$269,168,000).

	<b>30 June 2016 <i>HK\$’000</i> (unaudited)</b>	31 December 2015 <i>HK\$’000</i> (audited)
Restricted bank deposits analysed for reporting purposes:		
Due within one year	<b>10,849</b>	9,704
Due after one year	<b>25,200</b>	25,496
	<b>36,049</b>	35,200

## 20. RELATED PARTY DISCLOSURES

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. Other than those transactions disclosed in Note 18 relate to shares subscription, the transactions and balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

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

	Rental income		Finance income and other financial services income		Consultancy fee expense		Management fee expense	
	<i>(Note i)</i>		<i>(Note ii)</i>		<i>(Note i)</i>		<i>(Note i)</i>	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Shougang Holding	-	-	-	-	480	480	-	-
Subsidiaries of Shougang Corporation	-	-	52,738	6,904	-	-	-	-
Associates of Shougang Holding	-	-	-	-	-	-	420	420
Li Shaofeng, the Chairman of the Company	71	71	-	-	-	-	-	-

#### Notes:

- (i) The transactions were carried out in accordance with the relevant lease and other agreements.
- (ii) The transactions were carried out in accordance with relevant finance lease and loan agreements summarised as below:
  - (1) The Company entered into the master loan facility agreement with Shougang Shuicheng Gangtie (Group) Co., Ltd (“Shougang Shuigang”) pursuant to which the Company agreed to provide, or procure its subsidiaries to provide, the loan facilities to Shougang Shuigang and/or its subsidiaries in an aggregate principal amount of up to HK\$250,000,000 for a term of 3 years.
  - (2) Pursuant to the finance lease agreement, South China Leasing will provide finance lease amounting RMB200,000,000 to Shougang Guiyang Special Steel Co., Ltd for a term of 3 years.
  - (3) 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 for a term of 3 years.

**(b) Investments in related companies**

At 30 June 2016, the Group's held-for-trading investments included listed securities of 14,870,000 shares (31 December 2015: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") and 230,000 shares (31 December 2015: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

**(c) Transactions and balances with other PRC government-related entities**

In addition, 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 30 June 2016, 100%, 99% and 98% (31 December 2015: 100%, 99% and 99%) respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

**(d) Compensation of key management personnel**

The remuneration of the Directors and other members of key management during the six months ended 30 June 2016 and 2015 is as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short-term benefits	<b>3,695</b>	3,695
Post-employment benefits	<b>90</b>	150
	<b><u>3,785</u></b>	<b><u>3,845</u></b>

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

**21. EVENTS AFTER THE REPORTING PERIOD**

On 29 June 2016, South China Leasing entered into a conditional sales and leaseback agreement with Tengzhou Eastern Steel Cord Co., Ltd ("Tengzhou Eastern"), an indirect wholly-own subsidiary of Shougang Century, pursuant to which South China Leasing has agreed to lease the manufacturing equipment to Tengzhou Eastern for a term of 3 years of a principal amount of RMB70,000,000 (equivalent to approximately HK\$82,740,000) with the fixed interest rate of 5.13% per annum. Subsequent to the reporting period, the conditions are fulfilled and the amount was drawn down by Tengzhou Eastern in August 2016.

On 24 August 2016, South China Leasing entered into a conditional sales and leaseback agreement with Yangtze River Express Airlines Co., Ltd. ("Yangtze Express"), pursuant to which South China Leasing has agreed to lease the aircraft engines to Yangtze Express for a term of 3 years of a principal amount of RMB110,000,000 (equivalent to approximately HK\$128,700,000) with the variable interest rate calculated at 35% over the 3-year base lending rate per annum announced by the People's Bank of China.

## **EXTRACT OF INDEPENDENT AUDITOR’S REVIEW REPORT**

The following is an extract of the independent auditor’s report on Review of Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2016:

### **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.

### **Emphasis of Matter**

Without qualifying our review conclusion, we draw attention to Note 13 to the condensed consolidated financial statements which contains further information in respect of the Group’s investment in an associate, Global Digital Creation Holdings Limited (“GDC”), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in which the Group held 40.78% of nominal value of issued share capital. GDC has properties interest under construction which amounted to HK\$84,566,000 as at 30 June 2016 in respect of which the original period during which construction was to be completed in accordance with the framework agreement governing the lease of the related land has expired. 珠江電影製片有限公司 (“Pearl River Film Production”) as the plaintiff (the “Plaintiff”) has initiated legal proceedings against 廣東環球數碼創意產業有限公司 (“Guangdong Cultural Park”), a subsidiary of GDC, in respect of an alleged breach of the framework agreement governing the lease and reconstruction of the related land (the “Alleged Breach”). The Plaintiff has claimed for compensation of damages in the form of economic loss resulting from the Alleged Breach which amounting to approximately RMB75,779,000 and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand that the Plaintiff continue executing the framework agreement and compensate Guangdong Cultural Park’s damages in the form of economic loss which amounting to RMB100,000,000.

With the permission of the court, GDC has entered into settlement negotiations with Pearl River Film Production, the owner of the land use right, on the future development direction including but not limited to the extension of the original construction period, reassessment of the future development plan of these properties or returning the captioned properties interest under construction to Pearl River Film Production at a price to be agreed between the parties. The settlement negotiations are still in progress and no conclusion has been reached as of the date of this report. Depending on the ultimate outcomes of the settlement negotiations and the related lawsuits between Pearl River Film Production and Guangdong Cultural Park, GDC might incur

a significant impairment loss on the related assets and provision for compensation of damages, which would then result in a significant adverse impact on the share of results of an associate of the Group and the carrying amount of the interests in associates of the Group. However, the ultimate outcomes of the settlement negotiations and the related lawsuits cannot be assessed at this stage.

## INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	<b>Six months ended 30 June</b>		<b>+ / (-)</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<b>Financial performance</b>			
Revenue	<b>60,427</b>	25,217	140%
Gross profit margin (%)	<b>37%</b>	36%	1%
Profit attributable to owners of the Company	<b>2,327</b>	5,246	(2,919)
Basic earnings per share (HK cents)	<b>0.09</b>	0.45	(0.36)
	<b>30 June</b>	<b>31 December</b>	<b>+ / (-)</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	
<b>Key financial indicators</b>			
Total cash	<b>560,225</b>	565,439	-1%
Total assets	<b>2,945,881</b>	3,331,552	-12%
Total liabilities	<b>1,326,453</b>	1,695,526	-22%
Bank borrowings	<b>1,204,679</b>	1,548,439	-22%
Equity attributable to owners of the Company	<b>1,337,121</b>	1,354,580	-1%
Current ratio	<b>221%</b>	200%	21%
Net debt to total equity	<b>40%</b>	60%	-20%



## **Overall Performance**

The Group recorded profit of approximately HK\$2,327,000 for the six months ended 30 June 2016 attributable to owners of the Company, representing a decrease of approximately 56% when compared with that profit of approximately HK\$5,246,000 for the six months ended 30 June 2015 attributable to owners of the Company. The decrease was mainly attributable to the significant decrease in the Group's share of results of an associate.

The revenue of the Group for the six months ended 30 June 2016 was approximately HK\$60,427,000, which represented a significant growth of 1.4 times when compared to the revenue of approximately HK\$25,217,000 for the corresponding period in 2015. The increase in revenue was mainly from the finance leasing and other financial services segment.

The Group recorded a gross profit of approximately HK\$22,197,000 for the six months ended 30 June 2016, representing a gross profit margin of approximately 37%, which was a slight increase when comparing with the gross profit margin of approximately 36% for the corresponding period in 2015.

The Group recorded a share of profit of an associate of approximately HK\$300,000 for the six months ended 30 June 2016 (Six months ended 30 June 2015: HK\$8,752,000).

Basic earnings per share of the Group for the six months ended 30 June 2016 was HK0.09 cents (Six months ended 30 June 2015: HK0.45 cents).

## **Business Review and Outlook**

### *Finance Leasing and other financial services*

During the period under review, revenue from the finance leasing and other financial services segment increase of approximately 1.7 times to approximately HK\$56,270,000 (Six months ended 30 June 2015: HK\$20,883,000), while the segment result recorded a profit of approximately HK\$19,416,000 (Six months ended 30 June 2015: HK\$2,654,000). The increase in revenue from the finance leasing and other financial services segment and the increase in segment result was mainly driven by increase in business scale.

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. We will continue in this direction to explore sources of customer.

Meanwhile, 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.

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 through continuing to track the assets conditions and the progress of litigation, combined with non-litigations methods.

#### *Property Investment and Management*

During the period under review, revenue from the property leasing and building management services segment decreased by 9% to approximately HK\$2,359,000 (Six months ended 30 June 2015: HK\$2,580,000), while the segment result recorded a profit of approximately HK\$443,000 (Six months ended 30 June 2015: HK\$7,111,000). The decrease in revenue from the property leasing and building management services segment was mainly affected by changes in the rental market and resulting reduction in rent. The significant decrease in segment result was mainly attributable to the decrease in fair value of investment properties of the Group.

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

## *Assets Management*

During the period under review, revenue from the assets management segment increased by 3% to approximately HK\$1,798,000 (Six months ended 30 June 2015: HK\$1,754,000), while the segment result recorded a loss of approximately HK\$130,000 (Six months ended 30 June 2015: profit of HK\$122,000). The assets management segment achieved stable business growth and generated stable income from its brand management service. Segment result turn from profit to loss was caused by decrease in interest income.

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.

## **Key risks and uncertainties**

### *Environmental and economic performance of individual markets*

The global economic situation is complicated, monetary policy adopted by the world's major economies caused persistent volatility to major economic indicators, such as interest rates, exchange rates, commodity and energy prices. Under the influence of these uncertainties, capital investment in the market may also slowdown which affects the Group's earnings.

### *Market Risk*

The Group is exposed to certain market risk, such as interest rate risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 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 2016 as compared to 31 December 2015 is summarized below:

	<b>30 June 2016 HK\$'000</b>	31 December 2015 HK\$'000
Total borrowings		
Current borrowings	<b>488,003</b>	590,561
Non-current borrowings	<b>716,676</b>	957,878
sub-total	<b>1,204,679</b>	1,548,439
Total cash		
Bank balances and cash	<b>417,199</b>	439,651
Structured deposits	<b>106,977</b>	90,588
Restricted bank deposits	<b>36,049</b>	35,200
sub-total	<b>560,225</b>	565,439
Net borrowings	<b>644,454</b>	983,000
Total equity	<b>1,619,428</b>	1,636,026
Total assets	<b>2,945,881</b>	3,331,552
Financial leverage		
Net debt to total equity	<b>40%</b>	60%
Net debt to total assets	<b>22%</b>	30%
Current ratio	<b>221%</b>	200%

As at 30 June 2016, the Group had bank balances and cash of approximately HK\$417,199,000 (31 December 2015: HK\$439,651,000), structured deposits of approximately HK\$106,977,000 (31 December 2015: HK\$90,588,000) and restricted bank deposits of approximately HK\$36,049,000 (31 December 2015: HK\$35,200,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to net cash used in repayment bank loans of approximately HK\$328,239,000 and effect of foreign exchange rate changes that resulted in a decrease in the net cash of approximately HK\$5,178,000 netting off with the net cash from operating activities of approximately HK\$326,229,000 during the period under review.

As at 30 June 2016, the Group's borrowings amounted to approximately HK\$1,204,679,000, of which approximately HK\$488,003,000 were repayable within twelve months from 30 June 2016 and approximately HK\$716,676,000 were repayable after twelve months from 30 June 2016. During the period under review, the Group had no new bank borrowings. All loans borne interest at market rates.

### **Capital Structure**

The equity attributable to owners of the Company amounted to approximately HK\$1,337,121,000 as at 30 June 2016 (31 December 2015: HK\$1,354,580,000). The decrease was mainly due to the profit attributable to owners of the Company amounted to approximately HK\$2,327,000 for the six months ended 30 June 2016 offsetted by the exchange difference arising on translation of approximately HK\$18,477,000 during the period. During the period under review, the Company had not issued any new shares, the issued share capital of the Company was approximately HK\$26,722,000 (represented by approximately 2,672 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 2016.

### **Charge on Assets**

As at 30 June 2016, the Group has the following charge on assets:

- (i) The Group's investment properties with an aggregate carrying value of approximately HK\$94,430,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$20,235,000.
- (ii) The Group's finance lease receivables with a carrying value of approximately HK\$1,186,567,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK\$1,184,444,000.
- (iii) There were bank deposits of approximately HK\$36,049,000 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\$201,692,000.

## **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 2016, the Group has no significant foreign exchange exposure.

## **Contingent Liabilities**

The Group had no significant contingent liabilities as at 30 June 2016.

## **Environmental Policies**

### *Environmental Protection*

The Group promotes environmental protection by raising the employees' awareness of resources saving and efficient use of energy. In recent years, the Group has implemented several policies to encourage employees for saving energy and paper. All these policies aim at reducing resources and saving costs which are beneficial to the environment and meet the commercial goals of the Group.

## **Relationship with Employees, Suppliers and Customers**

The Group believes that employees are important assets and provides competitive remuneration packages to attract and retain employees. The management regularly reviews the Group's remuneration to its employees is up to prevailing market standard.

The Group values mutually beneficial long standing relationships with its suppliers and customers. The Group aims at delivering high quality services and products to its customers and developing on mutual trust among its suppliers.

## **Employees**

As at 30 June 2016, the Group employed 50 (31 December 2015: 50) 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 2016, 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.

## **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.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2016.

## **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  
**Shougang Concord Grand (Group) Limited**  
**Li Shaofeng**  
*Chairman*

Hong Kong, 25 August 2016

*As at the date of this announcement, the Board comprises 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) and Mr. Yip Kin Man, Raymond (Independent Non-executive Director).*

\* *For identification purpose only*