



SHOUGANG CONCORD GRAND
(GROUP) LIMITED

Stock Code : 730



2016
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	Estera Management (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Hong Kong Branch Share Registrar and Transfer Office	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	Canon's Court 22 Victoria Street Hamilton, HM 12 Bermuda
Principal Office in Hong Kong	Rooms 1101-04, 11th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
Stock Code	730
Website	www.shougang-grand.com.hk

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord Grand (Group) Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 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

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	60,427	25,217
Cost of sales		(38,230)	(16,231)
Gross profit		22,197	8,986
Other income	4	7,070	1,564
Distribution costs and selling expenses		(428)	(1,151)
Administrative expenses		(14,249)	(19,587)
Net (decrease) increase in fair value of investment properties	11	(1,650)	6,435
Changes in fair value of held-for-trading investments		(466)	1,639
Impairment loss on finance lease receivables	14	(1,671)	–
Finance costs	5	(133)	(473)
Share of results of an associate		300	8,752
Profit before tax		10,970	6,165
Income tax expense	6	(4,304)	(935)
Profit for the period	7	6,666	5,230

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

For the six months ended 30 June 2016

		Six months ended 30 June	
	NOTE	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Other comprehensive (expense) income: <i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation		(14,299)	8
Share of translation difference of an associate		(7,656)	11
		(21,955)	19
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Share of investment revaluation reserve of an associate		(1,309)	(8,659)
		(23,264)	(8,640)
Total comprehensive expense for the period		(16,598)	(3,410)
Profit (loss) for the period attributable to:			
Owners of the Company		2,327	5,246
Non-controlling interests		4,339	(16)
		6,666	5,230
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(17,459)	(3,394)
Non-controlling interests		861	(16)
		(16,598)	(3,410)
Earnings per share	9		
Basic (HK cents)		0.09	0.45
Diluted (HK cents)		0.09	0.45

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	17,028	17,515
Investment properties	11	124,895	126,912
Goodwill	12	52,935	52,935
Interests in associates	13	286,299	294,964
Finance lease receivables	14	1,206,189	1,450,479
Available-for-sale investments		4,885	4,942
Restricted bank deposits	22(iii)	25,200	25,496
Deferred tax assets		9,822	10,448
		1,727,253	1,983,691
Current assets			
Inventories		3,468	3,200
Amount due from an associate		388	388
Finance lease receivables	14	668,338	715,778
Entrusted loan payment receivable	15	–	75,477
Trade receivables	16	29	81
Prepayments, deposits and other receivables		6,947	8,078
Held-for-trading investments		4,433	4,916
Structured deposits	17	106,977	90,588
Restricted bank deposits	22(iii)	10,849	9,704
Bank balances and cash		417,199	439,651
		1,218,628	1,347,861

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Current liabilities			
Other payables and accruals		37,986	57,728
Income received in advance		6,672	7,666
Rental and management fee received in advance and other deposits received		824	997
Tax liabilities		11,315	8,261
Secured bank borrowings			
– due within one year	18	488,003	590,561
Security deposits received			
– due within one year	14	7,067	10,150
		551,867	675,363
Net current assets		666,761	672,498
Total assets less current liabilities		2,394,014	2,656,189
Capital and reserves			
Share capital	19	26,722	26,722
Retained earnings		602,983	600,072
Other reserves		707,416	727,786
Equity attributable to owners of the Company		1,337,121	1,354,580
Non-controlling interests		282,307	281,446
Total equity		1,619,428	1,636,026

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-current liabilities			
Income received in advance		6,823	9,644
Secured bank borrowings			
– due after one year	18	716,676	957,878
Security deposits received			
– due after one year	14	51,087	52,641
		774,586	1,020,163
Total equity and liabilities		2,394,014	2,656,189

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Contributed surplus reserve HK\$'000 (Note (a))	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total 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 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
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)	26,722	604,068	7,392	960	115,576	(48,077)	27,497	602,983	1,337,121	282,307	1,619,428

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2016

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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	49,374	3,377
Decrease (increase) in finance lease receivables	264,870	(159,468)
Decrease (increase) in entrusted loan payment receivable	75,477	(73,456)
Decrease in held-for-trading investments	–	4,000
(Decrease) increase in security deposits received	(3,907)	11,520
Interest paid	(34,035)	(15,048)
Other operating cash flows	(25,550)	3,193
NET CASH FROM (USED IN) OPERATING ACTIVITIES	326,229	(225,882)
INVESTING ACTIVITIES		
Purchase of structured deposits	(238,372)	(45,375)
Placement of restricted bank deposits	(1,258)	(45)
Purchases of property, plant and equipment	(48)	(14)
Proceeds from redemption of structured deposits	220,930	–
Interest received from bank deposits and structured deposits	3,484	1,343
NET CASH USED IN INVESTING ACTIVITIES	(15,264)	(44,091)
FINANCING ACTIVITIES		
Repayment of bank loans	(328,239)	(71,541)
Proceeds from placing and subscription of new shares	–	618,261
New bank loan raised	–	250,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(328,239)	796,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,274)	526,747
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	439,651	292,107
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(5,178)	11
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	417,199	818,865

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

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)

	Finance leasing and other financial services HK\$'000	Property leasing and building management services HK\$'000	Assets management HK\$'000	Total HK\$'000
Segment revenue	56,270	2,359	1,798	60,427
Segment result	19,416	443	(130)	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				300
Profit before tax				10,970

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2015 (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>	Total <i>HK\$'000</i>
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 2016

3. REVENUE AND SEGMENT INFORMATION (continued)

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:

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Segment assets		
Finance leasing and other financial services	2,401,752	2,772,828
Property leasing and building management services	125,462	127,947
Assets management	12,456	24,621
Total segment assets	2,539,670	2,925,396
Interests in associates	286,299	294,964
Held-for-trading investments	4,433	4,916
Structured deposits	106,977	90,588
Other unallocated corporate assets	8,502	15,688
Consolidated assets	2,945,881	3,331,552

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Segment liabilities		
Finance leasing and other financial services	1,300,486	1,663,917
Property leasing and building management services	1,111	1,648
Assets management	626	810
Total segment liabilities	1,302,223	1,666,375
Unallocated secured bank borrowings	20,235	21,547
Other unallocated corporate liabilities	3,995	7,604
Consolidated liabilities	1,326,453	1,695,526

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

4. OTHER INCOME

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

5. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

6. INCOME TAX EXPENSE

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

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 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 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	336	439

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

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 2016 (six months ended 30 June 2015: Nil).

9. 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:

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	2,327	5,246

	Six months ended 30 June	
	2016 '000 (unaudited)	2015 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,672,192	1,168,988
Effect of dilutive potential ordinary shares from share options	–	9,585
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,672,192	1,178,573

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

10. 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).

11. INVESTMENT PROPERTIES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

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\$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 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

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

13. INTERESTS IN ASSOCIATES

	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (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
	383,293	391,958
Impairment loss	(96,994)	(96,994)
	286,299	294,964
Fair value of listed investments in Hong Kong	179,559	235,284
Carrying amount of interests in associates listed in Hong Kong	286,299	294,964

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

13. INTERESTS IN ASSOCIATES (continued)

As at 30 June 2016 and 31 December 2015, the Group held 40.78% of nominal value of issued share capital of Global Digital Creations 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

13. INTERESTS IN ASSOCIATES (continued)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

14. 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	–
	1,967,445	2,324,374	1,846,309	2,141,192
Overdue finance lease receivables	28,218	25,065	28,218	25,065
Less: Unearned finance lease income	(121,136)	(183,182)	N/A	N/A
Present value of minimum lease receipts	1,874,527	2,166,257	1,874,527	2,166,257
Analysed as:				
Current finance lease receivables (receivable within 12 months)			668,338	715,778
Non-current finance lease receivables (receivable after 12 months)			1,206,189	1,450,479
			1,874,527	2,166,257
Fixed-rate finance lease receivables			841,252	911,837
Variable-rate finance lease receivables			1,033,275	1,254,420
			1,874,527	2,166,257

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

14. FINANCE LEASE RECEIVABLES (continued)

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

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

Movement in provision for finance lease receivables

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

14. FINANCE LEASE RECEIVABLES (continued)

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:

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

14. FINANCE LEASE RECEIVABLES (continued)

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.

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

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) 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 fully settled in February 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

16. 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.

17. 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 as disclosed in Note 21, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

18. 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 14) 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).

19. SHARE CAPITAL

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

20. SHARE OPTIONS SCHEMES

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

The share options outstanding at 30 June 2016 were 131,738,000 (30 June 2015: 134,738,000).

No share option was granted or exercised during the six months ended 30 June 2016 and 2015.

During the six months ended 30 June 2016, 3,000,000 share options was lapsed (six months ended 30 June 2015: Nil) and transferred approximately HK\$584,000 (for the six months ended 30 June 2015: Nil) from share options reserve to retained earnings.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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 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 that the entity can access at the measurement date;
- 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 2016

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015			
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK\$2,920,000 – in Mainland China: HK\$1,513,000	Listed equity securities: – in Hong Kong: HK\$3,172,000 – in Mainland China: HK\$1,744,000	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\$106,977,000	Bank deposits in Mainland China with non-closely related embedded derivative: HK\$90,588,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of 2.7% to 3.2% (31 December 2015: 3.0% to 3.6%) of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (<i>Note</i>)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

Note: The Directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the structured deposits either have short maturities or being redeemed on demand, 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 2016

21. 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.

22. 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).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

23. 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 19 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 (Note i)		Finance income and other financial services income (Note ii)		Consultancy fee expense (Note i)		Management fee expense (Note i)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Shougang Holding	-	-	-	-	480	480	-	-
Subsidiaries of Shougang Corporation	-	-	52,738	6,904	-	-	-	-
An associate of Shougang Holding	-	-	-	-	-	-	420	420
Mr. Li Shaofeng, the Chairman of the Company	71	71	-	-	-	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (continued)

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2016

23. RELATED PARTY DISCLOSURES (continued)

(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:

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

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.

24. 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. The conditions are fulfilled and the amount was drawn down by Yangtze Express in August 2016.

Deloitte.

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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 (collectively referred to as the “Group”) set out on pages 4 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Creations 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	Six months ended 30 June		+ / (-) Change
	2016 HK\$'000	2015 HK\$'000	
Financial performance			
Revenue	60,427	25,217	140%
Gross profit margin (%)	37%	36%	1%
Profit attributable to owners of the Company	2,327	5,246	(2,919)
Basic earnings per share (HK cents)	0.09	0.45	(0.36)

	30 June 2016		31 December 2015	+ / (-) Change
	HK\$'000			
Key financial indicators				
Total cash	560,225	565,439	-1%	
Total assets	2,945,881	3,331,552	-12%	
Total liabilities	1,326,453	1,695,526	-22%	
Bank borrowings	1,204,679	1,548,439	-22%	
Equity attributable to owners of the Company	1,337,121	1,354,580	-1%	
Current ratio	221%	200%	21%	
Net debt to total equity	40%	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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Overall Performance (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Outlook (continued)

Finance Leasing and Other Financial Services (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review and Outlook (continued)

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.

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 2016 as compared to 31 December 2015 is summarized below:

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Liquidity, Financial Resources and Financing Activities (continued)

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.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016 (2015: 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 2016 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 2016 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 30.06.2016
		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 30.06.2016
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 2016, 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 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, 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 30.06.2016	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 2016) 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 2016) 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 2016, 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 or cancelled in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2016. Details of the movements in the share options under the 2002 Scheme during the period are as follows:

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

SHARE OPTIONS (continued)

(a) The 2002 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company			Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Lapsed during the period	At the end of the period			
Directors of the Company (continued)						
Zhou Jianhong	1,136,000	-	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	-	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	2,286,000	-	2,286,000			
Yip Kin Man, Raymond	1,136,000	-	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	1,150,000	-	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	2,286,000	-	2,286,000			
	72,414,000	-	72,414,000			
Employees of the Group	1,900,000	-	1,900,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	7,220,000	(3,000,000) ¹	4,220,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	9,120,000	(3,000,000)	6,120,000			
Other participants	34,104,000	-	34,104,000	19.01.2007	19.01.2007 – 18.01.2017	HK\$0.410
	18,500,000	-	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK\$0.724
	600,000	-	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK\$0.540
	53,204,000	-	53,204,000			
	134,738,000	(3,000,000)	131,738,000			

Note:

- The share options were held by a grantee who ceased to be an employee of the Group on 1 May 2016. Such share options lapsed on 1 June 2016 according to the terms of the 2002 Scheme.

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 2016, 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 2016 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 17 August 2016 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2016.

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 2016.

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 2016.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

- (a) Pursuant to the loan agreement entered into between South China International Leasing Company Limited ("South China Leasing") and Wing Lung Bank Limited ("Wing Lung Bank") on 16 November 2015 in relation to a loan in the amount of RMB1,000,000,000 (the "Loan"), South China Leasing undertook with Wing Lung Bank that, unless Wing Lung Bank otherwise agrees in writing, Shougang Corporation shall, whether directly or indirectly, own not less than 50% interest in the Company and not less than 60% interest in South China Leasing throughout the term of the loan agreement. Breach of any of such undertakings will constitute an event of default upon which all amounts owing by South China Leasing to Wing Lung Bank under the loan agreement may become immediately payable. The Loan shall be repaid by South China Leasing by six instalments with the last instalment due on the date falling three years after the date of first drawn down of the Loan.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)

- (b) Pursuant to the facility letter entered into between SCG Finance Corporation Limited (“SCG Finance”) and China Construction Bank (Asia) Corporation Limited (“CCB”) on 17 December 2015 in relation to an uncommitted revolving loan of HK\$70,000,000 (the “Facility”), SCG Finance undertook it would procure that Shougang Corporation shall maintain at least 50% shareholding of the Company throughout the term of the Facility. Breach of such undertaking will constitute an event of default upon which CCB may cancel the Facility and demand all outstanding amount under the Facility be immediately due and payable. The Facility would expire on the date falling 12 months from the date of the facility letter.

DISCLOSURE OF DIRECTOR’S INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following are the changes in the information of Director since the date of the 2015 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Li Shaofeng, the Chairman of the Company, has been re-designated from the vice chairman and managing director of Shougang Holding to the managing director of Shougang Holding with effect from 1 June 2016.
- (b) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, is a non-executive director of HNA International Investment Holdings Limited, a Hong Kong listed company. The company name of HNA International Investment Holdings Limited has been changed to HNA Holding Group Co. Limited from 27 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
Li Shaofeng
Chairman

Hong Kong, 25 August 2016