SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

2018 INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors	Xu Liang *(Chairman)* Liu Dongsheng *(Managing Director)* Huang Donglin *(Non-executive Director)* Tam King Ching, Kenny *(Independent Non-executive Director)* Yip Kin Man, Raymond *(Independent Non-executive Director)* Fei Jianjiang *(Independent Non-executive Director)* Wan Siu Wah, Wilson *(Independent Non-executive Director)*
Executive Committee	Xu Liang *(Chairman)* Liu Dongsheng
Audit Committee	Tam King Ching, Kenny *(Chairman)* Yip Kin Man, Raymond Fei Jianjiang Wan Siu Wah, Wilson
Nomination Committee	Xu Liang *(Chairman)* Huang Donglin Tam King Ching, Kenny Yip Kin Man, Raymond Fei Jianjiang Wan Siu Wah, Wilson
Remuneration Committee	Tam King Ching, Kenny *(Chairman)* Xu Liang Huang Donglin Yip Kin Man, Raymond Fei Jianjiang Wan Siu Wah, Wilson
Company Secretary	Chan So Mei
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 2018. 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 2018

		Six months ended 30 June	
	NOTES	**2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)
Revenue			
Rental income		**1,802**	1,924
Finance lease interest income		**46,858**	45,834
Service income		**7,245**	7,535
Total revenue	*3*	**55,905**	55,293
Cost of finance lease and services		**(25,712)**	(26,530)
Gross profit		**30,193**	28,763
Other income	*4*	**8,675**	1,653
Selling expenses		**(234)**	(521)
Administrative expenses		**(33,474)**	(17,715)
Changes in fair value of investment properties	*11*	**4,847**	8,574
Changes in fair value of held-for-trading investments		**(612)**	3
Gain on disposal of available-for-sale investment		**–**	269
Impairment loss (recognised) reversed on finance lease receivables	*14*	**(1,832)**	672
Finance costs	*5*	**(2,376)**	(1,215)
Share of result of an associate		**3,541**	372
Impairment loss on interest in an associate	*13*	**(64,057)**	–
(Loss) profit before tax		**(55,329)**	20,855
Income tax expense	*6*	**(2,337)**	(6,411)
(Loss) profit for the period	*7*	**(57,666)**	14,444

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

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June **2018** ***HK$'000*** **(unaudited)**	 2017 *HK$'000* (unaudited)
Other comprehensive (expenses) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation to presentation currency		**(30,571)**	39,428
Share of translation difference of an associate		**(4,496)**	10,043
		(35,067)	49,471
Item that may be reclassified subsequently to profit or loss:			
Share of investment revaluation reserve of an associate		**–**	(1,655)
Other comprehensive (expenses) income for the period		**(35,067)**	47,816
Total comprehensive (expenses) income for the period		**(92,733)**	62,260
(Loss) profit for the period attributable to:			
Owners of the Company		**(63,009)**	9,879
Non-controlling interests		**5,343**	4,565
		(57,666)	14,444
Total comprehensive (expenses) income for the period attributable to:			
Owners of the Company		**(90,675)**	48,139
Non-controlling interests		**(2,058)**	14,121
		(92,733)	62,260
(Loss) earnings per share	9		
Basic and diluted		**HK(2.36) cents**	HK0.37 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**18,061**	17,134
Investment properties	11	**121,812**	117,663
Goodwill	12	**52,935**	52,935
Interest in an associate	13	**139,313**	204,325
Finance lease receivables	14	**965,053**	1,027,923
Deferred tax assets		**25,512**	22,069
		1,322,686	1,442,049
Current assets			
Finance lease receivables	14	**574,186**	858,906
Prepayments, deposits and other receivables		**6,904**	5,997
Held-for-trading investments		**2,397**	3,923
Structured deposit	16	**21,176**	12,048
Restricted bank deposits	21(iii)	**–**	19,811
Bank balances and cash		**505,062**	288,221
		1,109,725	1,188,906

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Current liabilities			
Other payables and accruals		**31,810**	26,567
Income received in advance		**–**	7,589
Contract liabilities		**5,044**	–
Rental and other deposits received		**542**	548
Tax liabilities		**21,559**	23,807
Secured bank borrowings – due within one year	*17*	**462,438**	535,048
Security deposits received – due within one year	*14*	**41,220**	54,261
		562,613	647,820
Net current assets		**547,112**	541,086
Total assets less current liabilities		**1,869,798**	1,983,135
Capital and reserves			
Share capital	*18*	**26,722**	26,722
Retained earnings		**463,435**	524,192
Other reserves		**693,905**	731,003
Equity attributable to owners of the Company		**1,184,062**	1,281,917
Non-controlling interests		**293,088**	297,540
Total equity		**1,477,150**	1,579,457

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Non-current liabilities			
Income received in advance		**–**	3,678
Contract liabilities		**2,060**	–
Secured bank borrowings			
– due after one year	*17*	**352,941**	361,446
Security deposits received			
– due after one year	*14*	**37,647**	38,554
		392,648	403,678
Total equity and liabilities		**1,869,798**	1,983,135

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	26,722	604,068	7,392	1,655	115,576	(102,920)	27,497	518,281	1,198,271	265,061	1,463,332
Profit for the period	–	–	–	–	–	–	–	9,879	9,879	4,565	14,444
Exchange differences on translation to presentation currency	–	–	–	–	–	29,872	–	–	29,872	9,556	39,428
Share of translation difference of an associate	–	–	–	–	–	10,043	–	–	10,043	–	10,043
Share of investment revaluation reserve of an associate	–	–	–	(1,655)	–	–	–	–	(1,655)	–	(1,655)
Other comprehensive (expenses) income for the period	–	–	–	(1,655)	–	39,915	–	–	38,260	9,556	47,816
Total comprehensive (expenses) income for the period	–	–	–	(1,655)	–	39,915	–	9,879	48,139	14,121	62,260
Lapse of share options	–	–	–	–	–	–	(13,401)	13,401	–	–	–
At 30 June 2017 (unaudited)	26,722	604,068	7,392	–	115,576	(63,005)	14,096	541,561	1,246,410	279,182	1,525,592
At 31 December 2017 (audited)	26,722	604,068	7,392	–	115,576	(6,287)	10,254	524,192	1,281,917	297,540	1,579,457
Adjustments (see Note 2)	–	–	–	–	–	–	–	(7,180)	(7,180)	(2,394)	(9,574)
At 1 January 2018	26,722	604,068	7,392	–	115,576	(6,287)	10,254	517,012	1,274,737	295,146	1,569,883
(Loss) profit for the period	–	–	–	–	–	–	–	(63,009)	(63,009)	5,343	(57,666)
Exchange differences on translation to presentation currency	–	–	–	–	–	(23,170)	–	–	(23,170)	(7,401)	(30,571)
Share of translation difference of an associate	–	–	–	–	–	(4,496)	–	–	(4,496)	–	(4,496)
Other comprehensive expenses for the period	–	–	–	–	–	(27,666)	–	–	(27,666)	(7,401)	(35,067)
Total comprehensive expenses for the period	–	–	–	–	–	(27,666)	–	(63,009)	(90,675)	(2,058)	(92,733)
Lapse of share options	–	–	–	–	–	–	(9,432)	9,432	–	–	–
At 30 June 2018 (unaudited)	26,722	604,068	7,392	–	115,576	(33,953)	822	463,435	1,184,062	293,088	1,477,150

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2018

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 and utilisation as mentioned in Note (b) below.

(b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**27,741**	39,629
Decrease in finance lease receivables	**288,897**	86,594
Increase (decrease) in other payables and accruals	**5,766**	(3,115)
Decrease in income received in advance	**–**	(503)
Decrease in contract liabilities	**(3,904)**	–
(Decrease) increase in security deposits received	**(11,764)**	13,603
Interest paid	**(28,088)**	(27,745)
Other operating cash flows	**(4,945)**	460
NET CASH FROM OPERATING ACTIVITIES	**273,703**	108,923
INVESTING ACTIVITIES		
Purchase of structured deposits	**(1,190,184)**	(147,442)
Purchase of property, plant and equipment	**(1,877)**	(410)
Proceeds from redemption of structured deposits	**1,180,773**	124,453
Withdrawal of restricted bank deposits	**19,345**	–
Interest received from bank deposits and structured deposits	**4,660**	1,366
Proceeds from disposal of property, plant and equipment	**55**	11
Placement of restricted bank deposits	**–**	(700)
Proceeds from disposal of available-for-sale investment	**–**	2,547
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**12,772**	(20,175)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
Repayment of bank loans	**(201,779)**	(233,355)
New bank loans raised	**140,000**	70,000
NET CASH USED IN FINANCING ACTIVITIES	**(61,779)**	(163,355)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**224,696**	(74,607)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**288,221**	202,597
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(7,855)**	7,491
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**505,062**	135,481

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.

2. PRINCIPAL 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs and an interpretation (continued)

The new and amendments to HKFRSs and an interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. In accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations. At the date of initial application, there is no difference recognised in the opening retained profits and no comparative information has been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue from servicing the finance lease receivables

Recognition

Revenue from servicing the finance lease receivables is recognised when the relevant services are provided by the Group over time using input method as the borrowers simultaneously receive and consume the benefits provided by the Group's performance.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contract liabilities

Contract liability is recognised by the Group for the portion of finance lease receivables services fees that the Group collected from the borrowers in relation to the service that has not been performed.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Income received in advance	7,589	(7,589)	–
Contract liabilities	–	7,589	7,589
Non-current liabilities			
Income received in advance	3,678	(3,678)	–
Contract liabilities	–	3,678	3,678

As at 1 January 2018, income received in advance of HK$11,267,000 in respect of finance lease arrangement service contracts signed with customers previously included in income received in advance are reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (continued)

The following table summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Income received in advance	–	5,044	5,044
Contract liabilities	5,044	(5,044)	–
Non-current liabilities			
Income received in advance	–	2,060	2,060
Contract liabilities	2,060	(2,060)	–

The application of HKFRS 15 has had no material impact on the Group's retained profits as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and finance lease receivables and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9 i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and non-controlling interests, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Finance lease receivables arising from leases are initially measured in accordance with HKAS 17 *Leases* ("HKAS 17").

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including finance lease receivables, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises 12m ECL for finance lease receivables and all other instruments unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The 12m ECL on these assets are assessed individually as they are normally with significant balances. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their loss allowance account.

As at 1 January 2018, the directors of the Company (the "Directors") reviewed and assessed the Group's existing financial assets and finance lease receivables for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The application of HKFRS 9 on 1 January 2018 has no material impact on the condensed consolidated financial statements of the Group with regards to classification of financial instruments.

The table below illustrates the measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Closing balance at 31 December 2017 under HKAS 39	**Remeasurement of loss allowance under ECL under HKFRS 9**	**Opening balance at 1 January 2018 under HKFRS 9**
	HK$'000	*HK$'000*	*HK$'000* (restated)
Finance lease receivables	1,886,829	(12,765)	1,874,064
Deferred tax assets	22,069	3,191	25,260
Retained earnings	524,192	(7,180)	517,012
Non-controlling interests	297,540	(2,394)	295,146

Impairment under ECL model

Loss allowances for finance lease receivables at amortised cost are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for certain finance lease receivables which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

As at 1 January 2018, the additional credit loss allowance of HK$12,765,000 and increase in deferred tax assets of HK$3,191,000 have been recognised against retained earnings. The additional loss allowance is charged against the finance lease receivables.

As at 1 January 2018, the Directors reviewed and assessed the impairment of bank balances and other receivables under ECL model, and no additional loss allowance is recognised against retained earnings.

All loss allowances for finance lease receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	As 31 December 2017 under HKAS 39 *HK$'000* (i)	**Remeasurements through opening retained earnings** *HK$'000* (ii)	**As 1 January 2018 under HKFRS 9** *HK$'000* (iii) = (i) + (ii) (restated)
Finance lease receivables	97,315	12,765	110,080

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had been restated. The following table summarises the adjustments recognised for the relevant individual line item.

	31 December 2017 *HK$'000* (Audited)	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1 January 2018 *HK$'000* (Restated)
Finance lease receivables	1,886,829	–	(12,765)	1,874,064
Deferred tax assets	22,069	–	3,191	25,260
Retained earnings	524,192	–	(7,180)	517,012
Non-controlling interests	297,540	–	(2,394)	295,146
Income received in advance	11,267	(11,267)	–	–
Contract liabilities	–	11,267	–	11,267

Except as described above, the application of other 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.

Segment revenue and results

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

For the six months ended 30 June 2018 (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	54,103	1,802	–	55,905
Segment results	23,249	6,461	295	30,005
Other income				3,309
Central administration costs				(25,139)
Changes in fair value of held-for-trading investments				(612)
Finance costs				(2,376)
Share of result of an associate				3,541
Impairment loss on interest in an associate				(64,057)
Loss before tax				(55,329)

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the six months ended 30 June 2017 (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	53,369	1,924	–	55,293
Segment results	23,668	10,066	417	34,151
Other income				308
Central administration costs				(12,764)
Changes in fair value of held-for-trading investments				3
Finance costs				(1,215)
Share of result of an associate				372
Profit before tax				20,855

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

The Group's service income recognised during the period of HK$7,245,000 (30 June 2017: HK$7,535,000) are included in finance leasing and other financial services segment, which are recognised over time on straight line basis and are all derived from the People's Republic of China (the "PRC").

Segment result represents the profit earned 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 result of an associate and impairment loss on interest in an associate. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	30 June 2018 *HK$'000* (unaudited)	31 December 2017 *HK$'000* (audited)
Segment assets		
Finance leasing and other financial services	**2,013,534**	2,259,787
Property leasing and building management services	**122,229**	118,000
Assets management	**15,672**	25,649
Total segment assets	**2,151,435**	2,403,436
Interest in an associate	**139,313**	204,325
Held-for-trading investments	**2,397**	3,923
Structured deposit	**21,176**	12,048
Other unallocated corporate assets	**118,090**	7,223
Consolidated assets	**2,432,411**	2,630,955

	30 June 2018 *HK$'000* (unaudited)	31 December 2017 *HK$'000* (audited)
Segment liabilities		
Finance leasing and other financial services	**769,518**	1,014,457
Property leasing and building management services	**447**	593
Assets management	**560**	586
Total segment liabilities	**770,525**	1,015,636
Unallocated secured bank borrowings	**169,301**	31,273
Other unallocated corporate liabilities	**15,435**	4,589
Consolidated liabilities	**955,261**	1,051,498

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

- all assets are allocated to reportable segments other than interest in an associate, 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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income from bank deposits and structured deposits	**4,660**	1,366
Dividend income from held-for-trading investments	**–**	21
Gain on disposal of corporate memberships	**2,750**	–
Government grant *(Note)*	**684**	–
Others	**581**	266
	8,675	1,653

Note: During the six months ended 30 June 2018, government grant included subsidies and awards of HK$684,000 (six months ended 30 June 2017: HK$Nil) received from the relevant authorities in the PRC which is an incentive payment to the Group whereby no future related cost is required or expected to be made.

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**28,088**	27,745
Less: amounts included in cost of sales	**(25,712)**	(26,530)
	2,376	1,215

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
Hong Kong	**4**	52
PRC Enterprise Income Tax ("EIT")	**3,091**	6,191
	3,095	6,243
Underprovision in prior years:		
PRC EIT	**105**	–
Deferred taxation	**(863)**	168
	2,337	6,411

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 2018 (six months ended 30 June 2017: 25%).

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**562**	284
Gain on disposal of property, plant and equipment	**55**	11

8. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: HK$Nil).

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(63,009)**	9,879

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(unaudited)	(unaudited)
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**2,672,192**	2,672,192

9. (LOSS) EARNINGS PER SHARE (continued)

For the six months ended 30 June 2018 and 2017, the computation of diluted earnings per share does not include the potential ordinary shares arising from all share options of the Company because the exercise prices of these share options were higher than the average market price of the shares of the Company for both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group had addition of property, plant and equipment of approximately HK$1,877,000 (six months ended 30 June 2017: HK$410,000).

11. INVESTMENT PROPERTIES

	30 June 2018 ***HK$'000*** **(unaudited)**	31 December 2017 *HK$'000* (audited)
Residential units located in Hong Kong, at fair value	**92,400**	86,940
Commercial property units located in Mainland China, at fair value	**29,412**	30,723
	121,812	117,663

Unrealised gain for the six months ended 30 June 2018, relating to investment properties at 30 June 2018, disclosed on the condensed consolidated statement of profit or loss and other comprehensive income is HK$4,847,000.

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

The fair values of the Group's investment properties at 30 June 2018 and 31 December 2017 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 increase in fair value of investment properties of approximately HK$4,847,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: increase in fair value of investment properties of HK$8,574,000) has been 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.

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 2018 and 2017, the Directors determine that there is no impairment of the CGU represented by finance leasing and other financial services segment.

13. INTEREST IN AN ASSOCIATE

	30 June 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Cost of investment in an associate		
Listed in Hong Kong	**186,613**	186,613
Share of post-acquisition results	**172,234**	168,693
Share of post-acquisition translation reserve	**(5,838)**	(1,342)
	353,009	353,964
Impairment loss	**(213,696)**	(149,639)
	139,313	204,325
Fair value of listed investment in Hong Kong	**139,313**	204,325
Carrying amount of interest in an associate listed in Hong Kong	**139,313**	204,325

13. INTEREST IN AN ASSOCIATE (continued)

As at 30 June 2018 and 31 December 2017, the Group held 40.78% of nominal value of issued share capital of Global Digital Creations Holdings Limited ("GDC"), a company listed on GEM of The Stock Exchange of Hong Kong Limited.

The carrying amount of investment in GDC has been tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset. The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell.

As disclosed in the condensed consolidated financial statements of GDC, according to the framework agreement, GDC has completed properties representing Phase I of Pearl River Film Cultural Park which amounted to HK$431,398,000 as at 30 June 2018 (31 December 2017: HK$439,616,000) and has properties interest under construction to redevelop Phase II of the Pearl River Film Cultural Park 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.

As further disclosed in the condensed consolidated financial statements of GDC, 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 and also demanded to terminate the framework agreement. Guangdong Cultural Park has also filed a counterclaim against the Plaintiff to demand the Plaintiff to continue executing the framework agreement and compensate Guangdong Cultural Park's damages in the form of economic loss.

Guangdong Cultural Park received the civil judgment issued on 11 October 2016 by 中國廣東省廣州市中級人民法院 (the "First Civil Judgment"), which declared that the framework agreement governing the lease and reconstruction of the Pearl River Film Cultural Park was terminated as of 22 March 2016 and Guangdong Cultural Park shall pay late payment surcharges for the overdue rental of approximately RMB2,722,000 (equivalent to approximately HK$3,172,000) and Pearl River Film Production, the landlord of the Pearl River Film Cultural Park, is entitled to keep the construction deposit of RMB20,000,000 (equivalent to approximately HK$23,310,000) paid by Guangdong Cultural Park. All other claims made by Pearl River Film Production and the counterclaim made by Guangdong Cultural Park were dismissed.

13. INTEREST IN AN ASSOCIATE (continued)

In November 2016, Guangdong Cultural Park lodged an appeal with 中國廣東省廣州市中級人民法院 requesting for an order that the First Civil Judgment be set aside and that the judgment be entered in favour of Guangdong Cultural Park with costs (the "Appeal").

During the year ended 31 December 2016, in light of the First Civil Judgment, GDC recognised an impairment loss on properties interest under construction and wrote off the construction deposit in respect of the Pearl River Film Cultural Park which amounted to approximately HK$84,467,000 and HK$23,310,000, respectively.

The first court hearing of the Appeal was conducted on 30 March 2017. Subsequent to the first court hearing of the Appeal, both of the Plaintiff's and Guangdong Cultural Park's lawyers had further submitted supplementary documents as requested by 中國廣東省高級人民法院 ("Guangdong Higher People's Court").

On 16 March 2018, Guangdong Cultural Park received the civil judgment of Guangdong Higher People's Court dated 31 January 2018, which rejected the Appeal and upheld the First Civil Judgment. According to this civil judgment, this judgment of Guangdong Higher People's Court is the final judgment ("Final Civil Judgment").

In June 2018, after several rounds of discussion with Pearl River Film Production, Guangdong Cultural Park returned a portion of land in the Pearl River Film Cultural Park, which had been used as parking space for tenants, to Pearl River Film Production. During the six months ended 30 June 2018, GDC recognised loss on disposal of investment properties in respect of the parking space returned to Pearl River Film Production which amounted to approximately HK$13,514,000. The loss on disposal of investment properties is included in "change in fair value of investment properties" line item.

On 7 August 2018, Guangdong Cultural Park received a legal letter dated 6 August 2018 from Pearl River Film Production's legal representative, which demanded Guangdong Cultural Park to return the entire Pearl River Film Cultural Park (both Phase I and Phase II) and claimed for compensation of related occupation fee and economic loss amounted to approximately RMB143,076,000 (equivalent to approximately HK$169,521,000) (the "Demand Letter").

13. INTEREST IN AN ASSOCIATE (continued)

The management of GDC is considering the legal advice on the Final Civil Judgment and the Demand Letter and assessing the legal implications on the financial position of GDC, and on any other alternative legal courses of action that can be taken by the management of GDC. Concurrently, the management of GDC is further negotiating with Pearl River Film Production based on a proposal submitted with the aim to reach a consensus for Guangdong Cultural Park to continue operating Phase I of the Pearl River Film Cultural Park. However, due to the preliminary nature of these further actions to be carried out by the management of GDC (the "Further Actions"), the management of GDC is unable to assess the likelihood of success of the Further Actions and form any conclusion on the final impact of this matter on GDC and therefore the management of the Group is not in a position to access the consequential impact of this matter on the Group.

Depending on the ultimate outcome of the Further Actions, there may be significant impacts on multiple elements of GDC's condensed consolidated financial statements. Amongst other impacts, GDC might be required to derecognise the investment properties, derecognise rental income already reflected as revenue and make provisions for compensation in respect of damages and other costs. However, the management of the Group considers that the ultimate outcome of the Further Actions and its pervasive impact on the condensed consolidated financial statements of GDC cannot be assessed at this stage and accordingly no further adjustment has been made by the management of the Group in respect of the assessment of the recoverable amount of the Group's investment in GDC referred to above. This may have a significant adverse impact on the share of results of an associate of the Group and the carrying amount of the interest in an associate of the Group.

In light of the Final Civil Judgment and the Demand Letter, the cash flow projections for the cultural park property leasing business have not taken into account of the rental income derived from the existing leases nor the estimated future lease income of the Phase I of Pearl River Film Cultural Park and the value in use was below the carrying amount and the fair value less costs to sell of the interest in this associate. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. Accordingly, when the recoverable amount of the associate is the higher of value in use and fair value less costs to sell, the interest in this associate is stated at its fair value less costs to sell as at 30 June 2018 and 31 December 2017 and an impairment loss of HK$64,057,000 (for the year ended 31 December 2017: HK$9,626,000) is recognised in profit or loss.

14. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2018 *HK$'000* (unaudited)	31 December 2017 *HK$'000* (audited)	**30 June 2018 *HK$'000* (unaudited)**	31 December 2017 *HK$'000* (audited)
Finance lease receivables comprise:				
Within one year	**629,563**	929,514	**562,378**	846,814
In more than one year but not more than two years	**737,840**	506,307	**698,248**	452,106
In more than two years but not more than three years	**103,901**	417,628	**90,335**	394,366
In more than three years but not more than four years	**95,740**	101,848	**88,235**	91,090
In more than four years but not more than five years	**90,447**	95,688	**88,235**	90,361
	1,657,491	2,050,985	**1,527,431**	1,874,737
Overdue finance lease receivables	**11,808**	12,092	**11,808**	12,092
Less: Unearned finance lease income	**(130,060)**	(176,248)	**N/A**	N/A
Present value of minimum lease receipts	**1,539,239**	1,886,829	**1,539,239**	1,886,829
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**574,186**	858,906
Non-current finance lease receivables (receivable after 12 months)			**965,053**	1,027,923
			1,539,239	1,886,829
Fixed-rate finance lease receivables			**703,709**	810,200
Variable-rate finance lease receivables			**835,530**	1,076,629
			1,539,239	1,886,829

14. FINANCE LEASE RECEIVABLES (continued)

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

	30 June 2018	31 December 2017
Fixed-rate finance lease receivables	**5.0% to 12.0%**	5.0% to 12.0%
Variable-rate finance lease receivables	**5.0% to 6.7%**	5.0% to 6.7%

Movement in provision for finance lease receivables

	HK$'000
At 1 January 2017 (audited)	111,661
Impairment losses reversed	(672)
Written off of impairment losses previously recognised	(23,059)
Exchange realignment	9,385
At 31 December 2017 (audited)	97,315
Remeasurement of loss allowance under ECL model *(see Note 2)*	12,765
At 1 January 2018 (restated)	110,080
Impairment losses recognised	1,832
Exchange realignment	(2,590)
At 30 June 2018 (unaudited)	109,322

Included in the Group's overdue finance lease receivables are seven (31 December 2017: seven) lessees with a total carrying amount of approximately HK$11,808,000 (31 December 2017: HK$12,092,000) which are past due as at the end of the reporting period but not impaired as they are fully secured by the security deposits received by the Group in accordance with the finance lease agreements.

14. FINANCE LEASE RECEIVABLES (continued)

Movement in provision for finance lease receivables (continued)

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 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Over six months	**11,808**	12,092

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$78,867,000 (31 December 2017: HK$92,815,000) 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 2018 *HK$'000* **(unaudited)**	31 December 2017 *HK$'000* (audited)
Analysed as:		
Security deposits received – due within one year	**41,220**	54,261
Security deposits received – due after one year	**37,647**	38,554
	78,867	92,815

14. FINANCE LEASE RECEIVABLES (continued)

Movement in provision for finance lease receivables (continued)

In addition, the finance lease receivables are secured over the leased assets mainly aeroplane engines, machineries and build and transfer project of a scenic belt as at 30 June 2018 and 31 December 2017.

The Group is not permitted to sell or repledge the collateral of the finance lease receivables in the absence of default by the lessee. Estimates of fair value of collateral are made during the credit approval process, determined using valuation techniques commonly used for the corresponding assets. These estimates of valuations are made at the inception of finance lease, and management would review it periodically. The Group also takes into consideration the financial positions and the guarantee of the relevant customers, the expected timing, legal possession status and other uncertainties on realising the pledged assets in the ECL model.

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

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the general approach to provide for ECL prescribed by HKFRS 9 for finance lease receivables, which permits the use of the 12m ECL provision for these receivables, unless there has been a significant increase in credit risk since initial recognition, which the Group then recognises lifetime ECL. The management assessed the expected loss on all finance lease receivables individually.

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO ECL MODEL (continued)

As part of the Group's credit risk management, the Group regularly monitors the internal credit rating based on available information at each reporting date for its finance lease receivables. The following table provides information about the exposure to credit risk and ECL for finance lease receivables as at 30 June 2018.

Internal credit rating	Average loss rate	Gross carrying amount	Impairment loss allowance
		HK$'000	*HK$'000*
A3 to Aaa	**0.07%**	1,126,903	819
B3 to Baa1	**2.73%**	357,338	9,772
Caa3 to Caa1	**6.45%**	57,487	3,706
		1,541,728	14,297
Credit impaired			95,025
			109,322

Allowance for impairment

The movements in the allowance for impairment in respect of finance lease receivables during the current interim period were as follows:

	A3 to Aaa	B3 to Baa1	Caa3 to Caa1	Loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2018* (unaudited)	1,038	9,461	2,266	97,315	110,080
Impairment losses (reversed) provided	(195)	534	1,493	–	1,832
Exchange realignment	(24)	(223)	(53)	(2,290)	(2,590)
Balance at 30 June 2018 (unaudited)	819	9,772	3,706	95,025	109,322

* The Group initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

16. STRUCTURED DEPOSIT

The structured deposit as at 30 June 2018 consists of principal-protected deposit of approximately HK$21,176,000 (31 December 2017: HK$12,048,000) denominated in Renminbi and issued by a bank in Mainland China. The structured deposit carries interest at expected interest rate of 3.15% (31 December 2017: 3.5%) per annum, depending on the market prices of the underlying money market instruments and debt instruments invested by the bank, payable on maturity of 63 days (31 December 2017: 91 days) from the date of purchase or being redeemed on demand. The Directors consider the fair values of the structured deposit, which is measured by reference to discounted cash flow approach as disclosed in Note 20, approximate to its carrying values.

All structured deposit was redeemed subsequent to the reporting period for both periods. The change in fair value up to the date of redemption was not significant.

No change in fair value for the deposit that has been matured is recognised during the six months ended 30 June 2018 as the effect was not significant.

17. SECURED BANK BORROWINGS

During the six months ended 30 June 2018, the Group raised new bank loans amounting to HK$140,000,000 (six months ended 30 June 2017: HK$70,000,000). Certain existing bank loans were secured by the Group's certain finance lease receivables (Note 14) and carried interest at variable rates of Hong Kong banks' prime rate minus 2.75%, Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2.5%, Offshore Chinese Renminbi Hong Kong Interbank Offered Rate ("CNH HIBOR") plus 1.1% and the People's Bank of China Lending Rate ("PBC rate") plus 20% (six months ended 30 June 2017: Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 2.5%, CNH HIBOR plus 1.1% and variable PBC rate plus 20%) and are repayable in instalments over a period of 1 to 5 years. During the six months ended 30 June 2018, the Group repaid bank loans amounted to approximately HK$201,779,000 (six months ended 30 June 2017: HK$233,355,000).

18. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	10,000,000,000	100,000
Issued and fully paid:		
At 30 June 2017, 1 January 2018 and 30 June 2018	2,672,192,469	26,722

19. 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 2018 were 4,220,000 (31 December 2017: 40,770,000).

No share option was granted or exercised during the six months ended 30 June 2018 and 2017.

During the six months ended 30 June 2018, 36,550,000 share options was lapsed (six months ended 30 June 2017: 73,968,000) and an amount of approximately HK$9,432,000 (for the six months ended 30 June 2017: HK$13,401,000) was transferred from share options reserve to retained earnings.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

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).

20. 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 30 June 2018	Fair value as at 31 December 2017	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Held-for-trading investments	Listed equity securities: – in Hong Kong: HK$2,397,000	Listed equity securities: – in Hong Kong: HK$3,095,000 – in Mainland China: HK$828,000	Level 1	Quoted bid prices in an active market	N/A
Structured deposits	Bank deposits in Mainland China with returns linked to underlying investments: HK$21,176,000	Bank deposits in Mainland China with returns linked to underlying investments: HK$12,048,000	Level 3	Discounted cash flows Key unobservable inputs are: expected yields of 3.15% (31 December 2017: 3.5%) of money market instruments and debt instruments invested by banks and a discount rate that reflects the credit risk of the banks (Note)	The higher the expected yield, the higher the fair value The higher the discount rate, the lower the fair value

Note: The Directors consider that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the structured deposits was insignificant as the 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.

20. 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.

21. CHARGE ON ASSETS

As at 30 June 2018, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,400,000 (31 December 2017: HK$86,940,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$29,301,000 (31 December 2017: HK$31,273,000).

(ii) The Group's finance lease receivables with a carrying value of approximately HK$655,640,000 (31 December 2017: HK$878,751,000) were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$646,078,000 (31 December 2017: HK$865,221,000).

(iii) As at 31 December 2017, there were bank deposits of approximately HK$19,811,000 restricted for the repayment of bank borrowings, which had been released during the six months ended 30 June 2018 upon full settlement of the relevant bank borrowings of approximately HK$24,056,000.

22. RELATED PARTY DISCLOSURES

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding (Hong Kong) Limited ("Shougang Holding") which is a wholly-owned subsidiary of Shougang Group Co., Ltd, 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 Group Co., Ltd and its subsidiaries (collectively referred as "Shougang Group"). 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)* Six months ended 30 June		Finance income and other financial services income *(Note ii)* Six months ended 30 June		Consultancy fee expense *(Note i)* Six months ended 30 June		Management fee expense *(Note i)* Six months ended 30 June	
	2018 ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** ***HK$'000*** **(unaudited)**	2017 *HK$'000* (unaudited)
Shougang Holding	**–**	–	**–**	–	**480**	480	**–**	–
Subsidiaries of Shougang Group Co., Ltd	**–**	–	**38,375**	47,403	**–**	–	**–**	–
An associate of Shougang Holding	**–**	–	**1,492**	2,006	**–**	–	**236**	420
Mr. Li Shaofeng, the former Chairman of the Company *(Note)*	**–**	64	**–**	–	**–**	–	**–**	–

Note: Mr. Li Shaofeng has resigned as an Executive Director of the Company and the Chairman of the Board with effect from 14 June 2017 and the amount presented was for the paid up to this date.

22. 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"), a subsidiary of Shougang Group Co. Ltd., 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 commenced from October 2014. The master loan facility agreement with Shougang Shuigang was terminated in June 2017.

(2) Pursuant to the finance lease agreement, South China International Leasing Co., Ltd. ("South China Leasing"), an indirect non-wholly-owned subsidiary of the Company, would provide finance lease amounting RMB200,000,000 to Shougang Guiyang Special Steel Co., Ltd, a subsidiary of Shougang Group Co. Ltd., for a term of 3 years commenced from February 2015. The finance lease agreement was expired in February 2018.

(3) The Company entered into the master facilities agreement with Shougang Group Co., Ltd., pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the facilities to Shougang Group Co., Ltd. and/or its subsidiaries in an aggregate principal amount of up to RMB8,000,000,000 for a term of 3 years commenced from June 2015. The master facilities agreement was expired in June 2018.

(4) Pursuant to the finance lease agreement, South China Leasing would provide finance lease amounting RMB70,000,000 to Tengzhou Eastern Steel Cord Co. Ltd, an associate of Shougang Holding for a term of 3 years commenced from August 2016.

Included in the finance lease receivables of the Group as disclosed in Note 14 are finance lease receivables from subsidiaries of Shougang Group Co., Ltd and an associate of Shougang Holding with total carrying amount of HK$1,083,336,000 (31 December 2017: HK$1,366,725,000) and HK$36,165,000 (31 December 2017: HK$51,242,000), respectively.

22. RELATED PARTY DISCLOSURES (continued)

(b) Investments in related companies

At 30 June 2018, the Group's held-for-trading investments included listed securities of 12,370,000 shares (31 December 2017: 12,370,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century") with carrying amount of HK$2,350,000 (31 December 2017: HK$3,043,000), and 230,000 shares (31 December 2017: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International") with carrying amount of HK$47,000 (31 December 2017: HK$52,000). 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 2018, Nil%, 98% and 96% (31 December 2017: 100%, 99% and 97%) 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 2018 and 2017 is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**2,970**	3,927
Post-employment benefit	**19**	87
	2,989	4,014

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

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 13 June 2018, On Hing Investment Company, Limited ("On Hing"), a wholly-owned subsidiary of the Company, entered into an agreement with 北京服務新首鋼股權創業投資企業（有限合夥）(Beijing Services New Shougang Venture Capital Investment LLP*) ("New Shougang Venture") and 京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) ("BWBF") pursuant to which On Hing agreed to purchase 43.62% of the equity interest in BWBF from New Shougang Venture for RMB75,262,645.50 ("First Acquisition"). First Acquisition is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018.

On 13 June 2018, Grand Cheers Property Limited ("Grand Cheers"), a wholly-owned subsidiary of the Company, entered into an agreement with 京冀協同發展示範區（唐山）基金管理有限公司 (Jingji Cooperative Development Demonstration Zone (Tangshan) Fund Management Co., Ltd.*) ("Jingji") and 首華京西協同創新（北京）科技發展有限公司 (Shouhua Jingxi Cooperative Innovation (Beijing) Technology Development Co., Ltd.*) ("Shouhua Jingxi") pursuant to which Grand Cheers agreed to purchase 85.7143% of the equity interest in Shouhua Jingxi ("Sale Shares") from Jingji for RMB1,500,000 and Grand Cheers will be responsible for the outstanding capital contribution obligation to the Sale Shares in the amount of RMB58,500,000 ("Second Acquisition"). Second Acquisitions is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018.

On 26 July 2018, SCG Leasing Corporation Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Vendor has agreed to sell the investment property with carrying amount of HK$52,300,000 at 30 June 2018 to the Purchaser at a cash consideration of HK$53,000,000 ("Investment Property Disposal"). Investment Property Disposal is not yet completed as at the date of this report.

On 1 August 2018, Gold Cosmos Development Limited ("Gold Cosmos"), a wholly-owned subsidiary of the Company, injected RMB10,000,000 to the registered capital of 北京京西供應鏈管理有限公司 (Beijing Jingxi Supply Chain Management Co., Ltd.*) ("Beijing Jingxi Supply Chain"), in exchange for 10% equity interest in Beijing Jingxi Supply Chain pursuant to an agreement signed in April 2018. The Directors are in the process of assessing the relevant financial impact. Gold Cosmos also entered into the capital increase agreement with 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*) ("Shougang Fund") and Beijing Jingxi Supply Chain in June 2018, pursuant to which Gold Cosmos agreed to contribute additional capital of RMB200,000,000 to the registered capital of Beijing Jingxi Supply Chain and thereby increasing its shareholding in Beijing Jingxi Supply Chain from 10% to 70% ("Capital Increase"). Capital Increase is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018.

* *For identification purpose only*

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries set out on pages 4 to 51, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 "HKICPA"). 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 HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Conclusion

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

Emphasis of Matter

We draw attention to Note 13 to the condensed consolidated financial statements which contains further information in respect of the Group's interest in an associate, Global Digital Creation Holdings Limited ("GDC"), a company listed on the GEM board of The Stock Exchange of Hong Kong Limited in which the Group held 40.78% of nominal value of issued share capital, and describes the uncertainty related to the outcome of the further actions to be carried out by the management of GDC.

As further described in Note 13 to the condensed consolidated financial statements, depending on the ultimate outcome of the further actions, there may be significant impacts on GDC, and accordingly a significant adverse impact on the share of results of an associate of the Group and the carrying amount of the interest in an associate of the Group. The management of GDC is unable to assess the likelihood of success and form any conclusion on the final impact of this matter on GDC and therefore the management of the Group is not in a position to assess the consequential impact of the resolution of this matter on the Group. Our conclusion is not modified in respect of this matter.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 August 2018

Financial Key Performance Indicators

The financial key performance indicators are analysed as below:

	Six months ended 30 June		+/(-)
	2018	2017	Change
	HK$'000	*HK$'000*	
Financial performance			
Revenue	**55,905**	55,293	1%
Gross profit margin (%)	**54%**	52%	2%
(Loss) profit attributable to owners of the Company	**(63,009)**	9,879	-738%
Basic (loss) earnings per share (HK cents)	**(2.36)**	0.37	-2.73

	30 June	31 December	+/(-)
	2018	2017	Change
	HK$'000	*HK$'000*	
Key financial indicators			
Total cash	**526,238**	320,080	64%
Total assets	**2,432,411**	2,630,955	-8%
Total liabilities	**955,261**	1,051,498	-9%
Bank borrowings	**815,379**	896,494	-9%
Equity attributable to owners of the Company	**1,184,062**	1,281,917	-8%
Current ratio	**197%**	184%	13%
Net debt to total equity	**20%**	36%	-16%

Financial Overview

The Group recorded loss of approximately HK$63,009,000 for the six months ended 30 June 2018 attributable to owners of the Company, when compared with a profit of approximately HK$9,879,000 for the six months ended 30 June 2017 attributable to owners of the Company, the turning from profit to loss was mainly attributable to the impairment loss on interest in an associate during the period under review.

Revenue of the Group for the six months ended 30 June 2018 was approximately HK$55,905,000, representing an increase of approximately 1% when compared with that of approximately HK$55,293,000 for the corresponding period in 2017. The increase was mainly attributable to the increase in income from the finance leasing and other financial services segment by approximately HK$734,000.

The Group made a gross profit of approximately HK$30,193,000 for the six months ended 30 June 2018, representing a gross profit margin of approximately 54%, which is an increase of approximately 2% when compared with the gross profit margin of approximately 52% for the corresponding period in 2017 which was mainly attributable to the increase in profit margin from the finance leasing and other financial services segment.

Other income for the six months ended 30 June 2018 amounted to approximately HK$8,675,000 (six months ended 30 June 2017: HK$1,653,000), representing an increase of approximately 425%. The increase was mainly due to increase in interest income from bank deposits.

Administrative expenses for the six months ended 30 June 2018 amounted to approximately HK$33,474,000 (six months ended 30 June 2017: HK$17,715,000), representing an increase of approximately 89%. The increase was mainly due to the rise in professional services fees and labour cost.

Financial Overview (continued)

For the six months ended 30 June 2018, share of profit of an associate amounted to approximately HK$3,541,000 (six months ended 30 June 2017: HK$372,000), impairment loss of approximately HK$64,057,000 (six months ended 30 June 2017: HK$Nil) on interest in an associate was made during the period under review.

Basic loss per share for the six months ended 30 June 2018 was HK2.36 cents (six months ended 30 June 2017: earnings per share was HK0.37 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 increased by approximately 1% to approximately HK$54,103,000 (six months ended 30 June 2017: HK$53,369,000), while the segment result recorded a profit of approximately HK$23,249,000 (six months ended 30 June 2017: HK$23,668,000). The increase in revenue from the finance leasing and other financial services segment was mainly attributed to new finance leases carried out. The increase in segment result was mainly attributed to the increase in the segment gross profit and increase in interest income during the period under review.

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 and new finance leasing clients. 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.

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, the finance leasing and other financial services segment put emphasis on strengthening risk control mechanism and introducing information technology platform. Based on the ever strengthening and improving risk control mechanism, the segment adjusted the management control strategy in time and 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.

Business Review and Outlook (continued)

Property Investment and Management

During the period under review, revenue from the property leasing and building management services segment decreased by approximately 6% to approximately HK$1,802,000 (six months ended 30 June 2017: HK$1,924,000), while the segment result recorded a profit of approximately HK$6,461,000 (six months ended 30 June 2017: HK$10,066,000). The decrease in revenue from the property leasing and building management services segment was mainly attributed to the decrease in rentable floor area due to disposal of part of the properties during the year ended 31 December 2017. The decrease in segment result was mainly attributable to the decrease in fair value gain of investment properties of the Group. The Group recorded an increase in fair value of investment properties of approximately HK$4,847,000 during the period under review (six months ended 30 June 2017: fair value increase of HK$8,574,000).

Capturing market opportunities, the Group disposed of certain investment properties in the past few years (including residential, commercial and industrial property units) so as to adjust the combination and quality of the investment properties portfolio. To improve assets return, the Group had reviewed and rearranged the layout of the self-occupied office so as to release rentable floor area. The Group will continue to monitor market changes and seek investment opportunities. The Group expected to receive 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, the assets management segment result recorded a profit of approximately HK$295,000 (six months ended 30 June 2017: HK$417,000). The decrease in segment profit was mainly attributable to no gain on disposal of available-for-sale investment during the period under review.

Relying on the good business base and network rooted in Hong Kong and built up in the past several years in Mainland China, the Group will take a overall analysis on the developments and trends of global treasury market and pay close attention to the economic structural adjustment and changes in financial reform in Mainland China, by tracking industries with good growth potential, capturing opportunity to develop new projects and innovative service, promoting positive interaction among projects and enriching the assets management business at the same time.

Business Review and Outlook (continued)

Corporate Strategy

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

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

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

Major Risks and Uncertainties

Economic Environment and Individual Market Performance

The global economy is complicated, with continuous fluctuations in interest rates, exchange rates, bulk commodities and energy prices and other major economic indicators caused by monetary policies adopted by major economies of the world. Under the impacts of these uncertainties, the capital investment of the market may decelerate which affects the revenue of the Group.

Market Risks

The Group is exposed to certain market risks such as interest rate risk, credit risk and liquidity risk. The management of the Group manages and supervises these risks in order to ensure appropriate measures are adopted in time and effectively.

Liquidity, Financial Resources and Financing Activities

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 30 June 2018 as compared to 31 December 2017 is summarized below:

	30 June 2018 *HK$'000*	31 December 2017 *HK$'000*
Total borrowings		
Current borrowings	**462,438**	535,048
Non-current borrowings	**352,941**	361,446
Sub-total	**815,379**	896,494
Total cash		
Bank balances and cash	**505,062**	288,221
Structured deposit	**21,176**	12,048
Restricted bank deposits	**–**	19,811
Sub-total	**526,238**	320,080
Net borrowings	**289,141**	576,414
Total equity	**1,477,150**	1,579,457
Total assets	**2,432,411**	2,630,955
Financial leverage		
Net debt to total equity	**20%**	36%
Net debt to total assets	**12%**	22%
Current ratio	**197%**	184%

As at 30 June 2018, the Group had bank balances and cash of approximately HK$505,062,000 (31 December 2017: HK$288,221,000), structured deposit of approximately HK$21,176,000 (31 December 2017: HK$12,048,000) and restricted bank deposits of approximately HK$Nil (31 December 2017: HK$19,811,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to net cash from operating activities of approximately HK$273,703,000, netting off with the net repayment of bank loans of approximately HK$61,779,000.

Liquidity, Financial Resources and Financing Activities (continued)

As at 30 June 2018, the Group's borrowings amounted to approximately HK$815,379,000, of which approximately HK$462,438,000 were repayable within twelve months from 30 June 2018 and approximately HK$352,941,000 were repayable after twelve months from 30 June 2018. During the period under review, the Group obtained new bank loans of approximately HK$140,000,000 for finance leasing and other financial services business and for operating use. All loans bore interest at market rates.

Capital Structure

The equity attributable to owners of the Company amounted to approximately HK$1,184,062,000 as at 30 June 2018 (31 December 2017: HK$1,281,917,000). The decrease was mainly due to the loss for the period ended 30 June 2018 attributable to owners of the Company of approximately HK$63,009,000, the exchange differences arising on translation of approximately HK$27,666,000 in total during the period under review and the impairment under Expected Credit Loss model of approximately HK$7,180,000 arising from initial application of Hong Kong Financial Reporting Standard 9: Financial Instrument. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK$26,722,000 (represented by approximately 2,672 million issued ordinary shares).

Capital Raising Exercise

On 13 June 2018 (after trading hours), the Company and VMS Securities Limited entered into an underwriting agreement in respect of the underwriting arrangement for the rights issue (the "Underwriting Agreement") that the Company proposes to raise approximately HK$249.8 million before expenses by issuing not less than 1,336,096,234 new shares to the qualifying shareholders by way of the rights issue at a price of HK$0.187 per rights share on the basis of one rights share for every two existing shares held on the relevant record date. The rights issue is not yet completed and is subject to the fulfillment of the terms and conditions as stipulated on the Underwriting Agreement. Details of which are set out in the Company's announcement dated 13 June 2018.

Material Acquisition, Disposals and Significant Investment

The Group had no material acquisitions, disposals and significant investment during the six months ended 30 June 2018 save as disclosed below:

On 13 June 2018, On Hing Investment Company, Limited ("On Hing"), a wholly-owned subsidiary of the Company, entered into an agreement with 北京服務新首鋼股權創業投資企業（有限合夥）(Beijing Services New Shougang Venture Capital Investment LLP*) ("New Shougang Venture") and 京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) ("BWBF") pursuant to which On Hing agreed to purchase the 43.62% of the equity interest in BWBF from New Shougang Venture for RMB75,262,645.50 ("First Acquisition"). First Acquisition is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018. BWBF is principally engaged in the provision of business factoring services.

On 13 June 2018, Grand Cheers Property Limited ("Grand Cheers"), a wholly-owned subsidiary of the Company, entered into an agreement with 京冀協同發展示範區（唐山）基金管理有限公司 (Jingji Cooperative Development Demonstration Zone (Tangshan) Fund Management Co., Ltd.*) ("Jingji") and 首華京西協同創新（北京）科技發展有限公司 (Shouhua Jingxi Cooperative Innovation (Beijing) Technology Development Co., Ltd.*) ("Shouhua Jingxi") pursuant to which Grand Cheers agreed to purchase 85.7143% of the equity interest in Shouhua Jingxi ("Sale Shares") from Jingji for RMB1,500,000 and Grand Cheers will be responsible for the outstanding capital contribution obligation to the Sale Shares in the amount of RMB58,500,000 ("Second Acquisition"). Second Acquisition is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018. Shouhua Jingxi is principally engaged in the provision of supply chain financial consulting services and management services.

On 13 June 2018, Gold Cosmos Development Limited ("Gold Cosmos"), a wholly-owned subsidiary of the Company, entered into the capital increase agreement with 北京首鋼基金有限公司 (Beijing Shougang Fund Co., Ltd.*) ("Shougang Fund") and 北京京西供應鏈管理有限公司 (Beijing Jingxi Supply Chain Management Co., Ltd.*) ("Beijing Jingxi Supply Chain") pursuant to which Gold Cosmos agreed to contribute additional capital of RMB200,000,000 to the registered capital of Beijing Jingxi Supply Chain and thereby increasing its shareholding in Beijing Jingxi Supply Chain from 10% to 70% ("Capital Increase"). Capital Increase is not yet completed and subject to shareholders' approval. Details of which are set out in the Company's announcement dated 13 June 2018. Beijing Jingxi Supply Chain is principally engaged in the business of supply chain financial management services.

* *For identification purpose only*

Events after the End of the Reporting Period

On 26 July 2018, SCG Leasing Corporation Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into the provisional sale and purchase agreement with an independent third party (the "Purchaser") pursuant to which the Vendor has agreed to sell the investment property with carrying amount of HK$52,300,000 at 30 June 2018 to the Purchaser at a cash consideration of HK$53,000,000 ("Investment Property Disposal"). Investment Property Disposal is not yet completed as at the date of this report.

On 1 August 2018, Gold Cosmos injected RMB10,000,000 to the registered capital of Beijing Jingxi Supply Chain, a company established with Shougang Fund, in exchange for 10% equity interest in Beijing Jingxi Supply Chain pursuant to an agreement signed in April 2018. The directors of the Company are in the process of assessing the relevant financial impact.

Charge on Assets

As at 30 June 2018, the Group had the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$92,400,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$29,301,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$655,640,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$646,078,000.

(iii) As at 31 December 2017, there were bank deposits of approximately HK$19,811,000 restricted for the repayment of bank borrowings, which had been released during the six months ended 30 June 2018 upon full settlement of the relevant bank borrowings of approximately HK$24,056,000.

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 exchange exposures. As at 30 June 2018, the Group has no significant foreign exchange exposure.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 June 2018.

Employees

As at 30 June 2018, the Group employed 48 (31 December 2017: 51) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the six months ended 30 June 2018, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2018 (2017: 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

As at 30 June 2018, 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.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, 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 30.06.2018 *(Note 1)*
Shougang Group Co., Ltd. (formerly known as Shougang Corporation) ("Shougang Group")	Interests of controlled corporations	2,025,736,972 *(Note 2)*	75.81%
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	2,025,736,972 *(Note 2)*	75.81%
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	1,350,491,315 *(Note 2)*	50.53%
Mak Siu Hang, Viola	Interests of controlled corporations	785,460,577 *(Note 3)*	29.39%

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

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

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 30.06.2018 *(Note 1)*
Fastlane Global Investments Limited ("Fastlane Global")	Interests of controlled corporations	662,960,577 *(Note 3)*	24.81%
VMS Securities Holdings Limited ("VMS Holdings")	Interests of controlled corporations	662,960,577 *(Note 3)*	24.81%
VMS Financial Group Limited ("VMS Financial")	Interests of controlled corporations	662,960,577 *(Note 3)*	24.81%
VMS Securities Limited ("VMS")	Beneficial owner	662,960,577 *(Note 3)*	24.81%
Yip Wang Ngai	Interest of controlled corporations	213,600,000 *(Note 4)*	7.99%
HY Holdings Limited ("HY Holdings")	Beneficial owner	213,600,000 *(Note 4)*	7.99%

Notes:

1. The total number of Shares in issue as at 30 June 2018 was 2,672,192,469. Conditional upon obtaining independent shareholders' approval for the proposed acquisition of three target companies, details of which are disclosed in the announcement of the Company dated 13 June 2018, the Company will conduct a rights issue and issue not less than 1,336,096,234 Shares and no more than 1,338,206,234 rights shares (assuming full exercise of all outstanding share options before the record date).

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

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

Notes: (continued)

2. Shougang Group indicated in its disclosure form dated 29 June 2015 (being the latest disclosure form filed up to 30 June 2018) that as at 29 June 2015, it is interested in 1,350,491,315 Shares, representing the Shares held by Wheeling, a company wholly-owned by Shougang Holding. Shougang Holding was in turn directly and wholly-owned by Shougang Group. Accordingly, Shougang Group is deemed to have interests in the 1,350,491,315 Shares held by Wheeling pursuant to the SFO. Pursuant to an undertaking dated 13 June 2018, Shougang Holding has undertaken to take up 675,245,657 rights shares to be provisionally allotted to it pursuant to the rights issue and therefore Shougang Group is also deemed to be interested in these 675,245,657 rights shares because of the undertaking.

3. The 662,960,577 shares representing the maximum number of underwritten shares committed by VMS as the underwriter pursuant to the underwriting agreement dated 13 June 2018. VMS Financial owns the entire issued share capital of VMS, which was wholly-owned by VMS Holdings. VMS Holdings was in turn wholly-owned by Fastlane Global. Ms. Mak Siu Hang, Viola is the beneficial owner of Fastlane Global. Accordingly, Ms. Mak Siu Hang, Viola is deemed to have interests in the 662,960,577 Shares held by VMS as underwriter pursuant to the SFO.

4. Mr. Yip Wang Ngai indicated in his disclosure form dated 30 June 2015 (being the latest disclosure form filed up to 30 June 2018) 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 2018, 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.

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 2018. Details of the movements in the share options under the 2002 Scheme during the period are as follows:

	Options to subscribe for shares of the Company					
Category or name of grantees	At the beginning of the period	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company						
Yuan Wenxin ("Mr. Yuan")[1]	6,000,000	(6,000,000)[1]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
Leung Shun Sang, Tony ("Mr. Leung")[2]	8,000,000	(8,000,000)[2]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
Tam King Ching, Kenny	1,150,000	(1,150,000)[3]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
Zhou Jianhong ("Ms. Zhou")[4]	1,150,000	(1,150,000)[4]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
Yip Kin Man, Raymond	1,150,000	(1,150,000)[3]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	17,450,000	(17,450,000)	–			
Employees of the Group	4,220,000	–	4,220,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Other participants	18,500,000	(18,500,000)[3]	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	600,000	(600,000)[5]	–	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	19,100,000	(19,100,000)	–			
	40,770,000	(36,550,000)	4,220,000			

SHARE OPTIONS (continued)

(a) The 2002 Scheme (continued)

Notes:

1. Mr. Yuan resigned as an executive director of the Company with effect from 6 January 2018. Such share options lapsed on 22 January 2018, being the expiry date of the relevant exercise period.

2. Such share options lapsed on 22 January 2018, being the expiry date of the relevant exercise period. Mr. Leung retired as non-executive director of the Company with effect from the conclusion of the annual general meeting ("AGM") of the Company held on 18 May 2018.

3. Such share options lapsed on 22 January 2018, being the expiry date of the relevant exercise period.

4. Such share options lapsed on 22 January 2018, being the expiry date of the relevant exercise period. Ms. Zhou retired as independent non-executive director of the Company with effect from the conclusion of the AGM of the Company held on 18 May 2018.

5. Such share options were held by a consultant and lapsed on 12 May 2018 with her resignation as a consultant with effect from 12 April 2018.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2018, 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 2018 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 16 August 2018 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2018.

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 (the "CG Code") during the six months ended 30 June 2018, except for the following deviation:

– Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

  Mr. Xu Liang had acted as both the Chairman and the Managing Director of the Company until 5 January 2018 before the appointment of Mr. Liu Dongsheng by the Board as the Managing Director of the Company with effect from 6 January 2018 in order to satisfy the requirement of the code provision A.2.1 of the CG Code, and Mr. Xu Liang ceased to act as the Managing Director of the Company from the same date but remains as the Chairman of the Board.

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 2018.

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 Group 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 13 January 2017 in relation to an uncommitted revolving loan of HK$70,000,000 (the "First CCB Facility"), Shougang Group shall own beneficially at least 50% of the entire issued share capital of the Company, whether directly or indirectly, throughout the term of the First CCB Facility. Breach of such condition will constitute an event of default upon which CCB may cancel the First CCB Facility and terminate the First CCB Facility and demand all outstanding amount under the First CCB Facility be immediately due and payable. The First CCB Facility would expire on the date falling 12 months from the date of the aforesaid facility letter and therefore the First CCB Facility was expired on 13 January 2018.

(c) Pursuant to the facility letter entered into between SCG Finance and Chong Hing Bank Limited ("CHB") on 21 March 2018 in relation to a revolving term loan facility of HK$70,000,000 (the "Facility"). Shougang Group and Shougang Holding shall remain as the largest shareholder (directly or indirectly) of the Company during the term of the Facility. Breach of such condition will constitute an event of default upon which CHB may cancel the Facility or terminate the Facility and demand all outstanding amount under the Facility be immediately due and payable. The term of the Facility is subject to CHB's overriding right of repayment on demand.

(d) Pursuant to the facility letter entered into between SCG Finance and CCB on 30 May 2018 in relation to an uncommitted revolving loan facility for a total principal amount not exceeding HK$70,000,000 (the "Second CCB Facility"), Shougang Group shall remain to directly or indirectly own beneficially at least 30% of the entire issued share capital of the Company during the term of the Second CCB Facility. Breach of such condition will constitute an event of default upon which CCB may cancel the Second CCB Facility or terminate the Second CCB Facility and demand all outstanding amount under the Second CCB Facility be immediately due and payable. The Second CCB Facility is subject to annual review by CCB.

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 2017 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:–

(a) Mr. Fei Jianjiang has been appointed as an Independent Non-executive Director of the Company as well as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 29 March 2018.

(b) Mr. Wan Siu Wah, Wilson has been appointed as an Independent Non-executive Director of the Company as well as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 29 March 2018.

(c) Mr. Leung has ceased to act as the non-executive Director, a member of each of the Remuneration Committee and the Nomination Committee with effect from the conclusion of the AGM of the Company held on 18 May 2018. Mr. Leung ceased to act as the non-executive Director by reason of retirement by rotation under bye-law 99 of the bye-laws of the Company. He also ceased to act as a non-executive director, a member of each of the remuneration committee and the nomination committee of Shougang Concord International Enterprises Company Limited (an associate of the Company and the shares of which are listed on the Main Board of the Stock Exchange) ("SCI"), with effect from the conclusion of the AGM of SCI held on 18 May 2018, and he ceased to act as a non-executive director of SCI by reason of retirement by rotation under article 102(A) of the articles of association of SCI.

(d) Ms. Zhou has ceased to act as an independent non-executive Director, a member of each of the Audit committee, the Remuneration Committee and the Nomination Committee with effect from the conclusion of the AGM of the Company held on 18 May 2018. Ms. Zhou ceased to act as an independent non-executive Director by reason of retirement by rotation under bye-law 99 of the bye-laws of the Company.

(e) Mr. Huang Donglin has been appointed as the non-executive Director, a member of each of the Remuneration Committee and the Nomination Committee with effect from the conclusion of the AGM of the Company held on 18 May 2018.

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

(f) Mr. Xu Liang, the Chairman of the Company, has been appointed as an executive director and a member of the executive committee of SCI, on 21 May 2018. He also ceased to be the chairman of the board of directors, the executive committee and the nomination committee and the vice chairman of the remuneration committee of GDC, an associate of the Company and the shares of which are listed on GEM of the Stock Exchange, but remaining as the executive director and the member of the executive committee, the nomination committee and the remuneration committee of GDC, with effect from 21 July 2018.

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
Xu Liang
Chairman

Hong Kong, 23 August 2018